FOOD AID AND THE ROLE OF THE PRIVATE VOLUNTARY ORGANIZATIONS

HEARING

BEFORE THE

SELECT COMMITTEE ON HUNGER
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, APRIL 18, 1985

Serial No. 99-1

Printed for the use of the Select Committee on Hunger

U.S. GOVERNMENT PRINTING OFFICE

47-869 O WASHINGTON : 1985

H961-27

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FOOD AID AND THE ROLE OF THE PRIVATE VOLUNTARY ORGANIZATIONS

THURSDAY, APRIL 18, 1985

HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON HUNGER,
Washington, DC.

The committee met, pursuant to call, at 9:30 a.m., in room 2212, Rayburn House Office Building, Hon. Mickey Leland (chairman of the committee) presiding.

Members present: Representatives Hall, Fazio, Gilman, Evans, Smith, and Bereuter.

OPENING STATEMENT OF HON. MICKEY LELAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Chairman LELAND. The committee will come to order.

Good morning.

As chairman of this Select Committee on Hunger, I want to welcome you here today as we discuss the important issue of food assistance to less developed countries. Our committee was recently reauthorized by the House of Representatives to continue in our work of making recommendations on issues related to hunger both in this country and around the world. We are pleased to convene this first hearing of the year to discuss how to improve international food assistance programs to alleviate world hunger.

Our food aid programs include the Food for Peace Program, known as Public Law 480, and section 416 authority under the Agricultural Assistance Act. Public Law 480 provides food through both sales and donations programs. Over the 30 years of this program, many changes have been implemented with the aim toward improving the developmental impact of the programs. Today three of our witnesses from private voluntary organizations will address how to enhance such efforts in the program. Section 416 makes available wheat and dairy products for use in overseas donations programs. This mechanism, too, can be used for humanitarian and developmental purposes.

In recent months, we have seen starvation on a massive scale in many countries in Africa. We have worked hard to ensure that food and other essential emergency supplies be made available to these countries. But the task has only begun.

To alleviate world hunger, we must look at more than simply providing food. We must ensure that, as we assist with food aid, the aid also contributes to the ability of people to feed themselves.

Food aid programs, in addition to providing food today, must also be contributing to the longer-term needs of the people they serve.

Tony Hall, the chairman of our International Task Force, and other Members of Congress and I have been working on legislation to address how to improve the developmental impact of food aid. We hope to hear testimony this morning which will guide us and the members of the committee in working for positive changes in the food aid program.

I want to thank our witnesses for coming before our committee today. I welcome your discussion on these vital issues.

Let me admonish, as gently as I can, the witnesses to hold themselves to 5 minutes of testimony. If you have prepared statements, we will take them and submit them in full in the record, but we would ask that you summarize your statements within 5 minutes.

I would like to now yield to my colleague, Mr. Evans, for a statement, if he has one.

OPENING STATEMENT OF HON. COOPER EVANS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. EVANS. Thank you, Mr. Chairman.

I do have a statement, which I will submit for the record, if I may.

Chairman LELAND. Without objection, yes.

[The prepared statement of Mr. Evans appears at the conclusion of the hearing, see p. 53.]

Chairman LELAND. The gentleman from Ohio, Mr. Hall.

OPENING STATEMENT OF HON. TONY P. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. HALL. Thank you, Mr. Chairman.

I, too, have a statement that I would like to submit for the record.

I would hope that the people in this very distinguished group testifying here today would focus on some of the things that we are trying to do through legislation. I believe, and several members of the committee share this belief, that such legislation will enhance the way we use food aid in general and specifically for developing assistance.

Through legislation, we are trying to facilitate multiyear agreements for private voluntary groups, the in kind use of commodities to pay for processing costs of surplus commodities under section 416, ensure a percentage of surplus food donation under section 416, and allow for some monetization under section 416 and Public Law 480, title II. I would especially like to hear from our witnesses about their views on monetization under various sections of Public Law 480, title II. I would also like to know what problems or what advantages they think monetization will create. I would hope that these issues could be addressed today.

I think this is an important meeting, and I look forward to some of the questions and some of the answers which might arise through discussion of these issues.

Chairman LELAND. Without objection, the gentleman's statement will be entered into the record in full.

[The prepared statement of Mr. Hall appears at the conclusion of the hearing, see p. 54.]

Chairman LELAND. The Chair would now like to recognize our colleague from New York, Mr. Gilman.

OPENING STATEMENT OF HON. BENJAMIN A. GILMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. GILMAN. Thank you, Mr. Chairman. I want to thank you for holding this hearing on food aid programs under the authority of section 416 of the Agricultural Assistance Act and in order to review title II of Public Law 480.

The Committee on Foreign Affairs during its recent markup of the foreign aid bill considered problems pertaining to these programs and amendments related to the issues that the witnesses here today will address, such as multiyear food aid programming and monetization of food aid commodities, and the expansion of food aid programs. Since these issues are significant, we have also requested that our Committee on Foreign Affairs conduct hearings on the issues, and I think it is quite timely that we are covering these topics here today before our select committee.

It is my hope that this hearing will serve to draw out and clarify some of the many points of view held on these issues. For example, a number of PVO's and cooperatives feel that greater leeway for monetization is needed, while others conclude that too much activity in this area could lead to the disruption of local markets and a concomitant disincentive for indigenous production.

In addition, concern has been raised that if the PVO's are to use currency they raise by selling food to carry out their programs in-country, they want to be able to rely on this as a regular source of funding. It is difficult to see how a PVO with a regular program budget for important projects are going to be able to reduce sharply the sale of commodities in a year when local crops are good. However, that is the step that would be needed to avoid disincentive effects.

Likewise, the expansion of food aid programs has drawn similar pro and con comments. Title II food aid needs have been great in recent years and are expected to remain so for at least the next 2 years. However, some of our PVO groups argue that it is better to determine the higher level of appropriation needed each year than to mandate an aid level that could result in undercutting the markets of some of our poorer farmers.

I think all of us here, Mr. Chairman, are deeply concerned about the plight of the poor and the hungry on this planet, and are trying to work together to help alleviate their pain. Accordingly, these issues must be satisfactorily addressed so as to enable us to effectively work on their behalf.

I want to commend the gentleman from Ohio, Mr. Hall, for his efforts in bringing these issues before the Congress, some of which have already been incorporated in our foreign aid bill that is about to come out on the floor within the next few weeks.

Thank you, Mr. Chairman.

Chairman LELAND. I thank the gentleman from New York.

Our first witness today is Deputy Under Secretary Daniel Amstutz of the U.S. Department of Agriculture. Under Secretary Amstutz will discuss monetization, multiprogramming agreements and minimum tonnage levels in Public Law 480, title II, and section 416.

Mr. Amstutz.

STATEMENT OF DANIEL G. AMSTUTZ, UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE

Mr. AMSTUTZ. Thank you, Mr. Chairman. It is good to have the opportunity to appear before you and the members of the subcommittee.

Remembering your admonishment on time, I will attempt to deliver an abbreviated version of my statement. I do ask that the full text be included in the record.

Chairman LELAND. Without objection.

Mr. AMSTUTZ. Funding under Public Law 480, titles I and III has been expanded in recent years, growing from a total of almost $800 million in 1982 to $1.1 billion this fiscal year. In addition to increased food aid levels, we are accelerating the signing of agreements under this program with good results. Twice the amount of commodities were programmed during the first quarter of fiscal year 1985, compared with the same period a year ago. This enables recipient countries to prepare for shipments and to buy when prices are most favorable.

The level of the title II donations program has been expanding in recent years as well. Fiscal year 1985 programming is estimated at $1.2 billion of commodity and freight assistance. This level is up significantly from fiscal year 1984, when $724 million under title II aid was programmed to needy countries. The title II program is designed to relieve both chronic, long-term food shortages in lower-income developing countries, and emergency food requirements arising from natural disasters such as droughts or floods.

Section 416 foreign donations have increased rapidly in the past 3 years. Approximately 89,500 tons of dairy products valued in the world market at $87.2 million were moved to needy countries in fiscal year 1983, and an estimated 171,000 tons of dairy products were donated to needy countries in fiscal year 1984. Although there has been some interest in donating wheat, thus far, dairy products are the only commodities which have been moved abroad under the program.

Mr. Chairman, there has been a good deal of confusion regarding the costs associated with expansion of section 416 donations beyond the initial dairy commodities, including the erroneous belief by some that these donations do not affect the Federal budget. This is not the case. The commodities themselves are assets of the Commodity Credit Corporation and, when donated, add to the net realized losses of the CCC. These losses must be restored through congressional appropriation during either the current or subsequent fiscal year. In addition, the Corporation pays for many processing and transportation costs associated with all donations. These costs contribute to CCC and Federal outlays during the year in which

they occur, and similar to the commodities being donated, add to the net realized losses of the Corporation.

One other point must be remembered in this regard. In terms of Federal budget presentation and accounting, section 416 program expenses are reflected as costs for domestic farm price and income support programs, and thus compete with these domestic programs for limited-budgetary resources in the agricultural account. Unlike the costs of Public Law 480, they are not considered international affairs and foreign assistance expenditures. At a time when domestic farm program costs are under great scrutiny and sizable reductions are being proposed, it is important to appreciate that there are limits as to how much assistance can be provided through this authority.

The 4 million metric ton food security wheat reserve was established in 1981. In December 1984, the President determined that up to 300,000 metric tons of wheat could be released from the reserve for use under title II of Public Law 480 to provide emergency food assistance to Africa and South Asian nations in fiscal year 1985. To date, approximately 276,000 tons of wheat from the reserve have been approved for shipment to Africa as either wheat, wheat flour or bulgur. CCC is to be reimbursed for the wheat from funds available for carrying out Public Law 480.

Mr. Chairman, we feel strongly that our food aid programs have been successful in helping to reduce chronic and emergency hunger problems in many parts of the world. However, the drought in Africa has raised a number of issues associated with our existing food assistance efforts. These include, one, the need for additional Food for Peace Program appropriations in fiscal year 1986; two, changes in the section 416 program to allow increased monetization of commodity shipments; and three, expanded use of multiyear programming.

The administration has requested appropriations to support a $1.68 billion Public Law 480 program level in fiscal year 1986. This program level includes $1.03 billion for title I and III concessional sales, and $650 million for title II commodity donations and ocean transportation costs. Approximately 6.9 million tons of commodity aid would be programmed to needy countries under this proposed total budget figure.

The proposed fiscal year 1986 Public Law 480 program level is down from that currently available during fiscal year 1985, but it is relatively unchanged from the President's original request for fiscal year 1985. The African drought situation has sharply increased emergency food aid needs in fiscal year 1985, and these requirements have been met, in part through the enactment of two supplementals which have resulted in a Public Law 480 program level of $2.3 billion in the current fiscal year.

At the current time, the information from Africa leads us to the conclusion that we can expect some improvement in the African situation next year, and we believe that, at this particular time in history, our proposed Public Law 480 program level will be adequate to meet both nonemergency and emergency food aid requirements worldwide. The recent enactment of the $400 million title II supplemental program level increase will provide us with a cushion against unanticipated African needs in the remainder of fiscal 1985

and allow us to keep food aid flowing to needy African countries through the first quarter of fiscal year 1986. Furthermore, the $225 million Emergency Reserve for African Famine Relief, which has also been authorized, will be available for use through Public Law 480 title II if the President determines these funds are essential for additional famine relief next year.

During fiscal year 1986, we will continue to carefully monitor the food situation in Africa and to take whatever steps are appropriate for the United States to respond to the emergency food aid needs of drought-stricken nations.

The administration's proposed Agricultural Adjustment Act of 1985 would authorize a number of changes in our food aid reserves. It would eliminate the existing 4 million metric ton food security wheat reserve and replace it with a humanitarian reserve of up to 13 million tons. The new reserve would be authorized for humanitarian use both overseas and domestically. In addition, the reserve could include feed grains as well as wheat, and it would offer greater flexibility in its operation and release.

Monetization of commodities donated under title II of Public Law 480 is presently authorized "to promote economic and community development." The existing practice within the interagency food aid working group is to review and approve title II program proposals with monetization components on a case-by-case basis. At the present time, a number of title II programs include a monetization component.

Current legislation authorizes sales and barter of commodities donated under section 416 as approved by the Secretary of Agriculture for certain purposes. The administration opposes full-scale monetization of commodities donated under the section 416 program. Some U.S. private voluntary organizations have proposed full-scale monetization of commodities donated under the section 416 program. Such authority would allow the PVOs to sell donated wheat and dairy products within recipient countries for local currencies. The local currencies would, in turn, be used by the PVOs to expand economic development activities in these same countries. Such action would, first, make the Commodity Credit Corporation and its assets a vehicle for providing foreign assistance, a role traditionally assigned to title II of Public Law 480 and other non-USDA foreign assistance programs; second, it would constitute so-called back-door financing of development assistance which is not subject to annual congressional review, as the section 416 program is not funded through the regular appropriations process; third, it would increase the possibility of displacement of commercial exports; and fourth, it would serve as a potential disincentive for local production by expanding local supplies without a comparable expansion of demand, and thereby driving prices down.

The Department of Agriculture appreciates the developmental benefits of multiyear programming of U.S. food assistance to needy countries. Programming on a longer-term basis increases the food security of less developed countries and allows countries to implement longer-term production and marketing policy reforms. Authorization currently exists for multiyear programming of food assistance under titles I, II, and III of Public Law 480. Such mul-

tiyear approaches can be considered, but subject to an annual review of available funds and commodities.

Mr. Chairman, the administration is committed to continuing its efforts to help meet the world food assistance requirements. These needs have been especially large in fiscal years 1984 and 1985. We have met the challenge, but it is important that our food aid efforts take into consideration current U.S. budget constraints and the appropriateness of various mechanisms for accomplishing our food aid objectives.

That ends my formal testimony, and I will be happy, Mr. Chairman, to address any questions.

[The prepared statement of Mr. Amstutz appears at the conclusion of the hearing, see p. 54.]

Chairman LELAND. Thank you, Mr. Secretary.

It is my understanding that there are approximately 6.7 million metric tons of uncommitted wheat available for overseas donation held by the Commodity Credit Corporation. At the same time, there are millions of hungry people. The U.S. Department of Agriculture has the authority to release surplus wheat and dairy products under the section 416 at this time. Why have no proposals for wheat yet been approved?

Mr. AMSTUTZ. Mr. Chairman, let me ask just one question.

Chairman LELAND. We would invite any of your colleagues, Mr. Amstutz, to join you at the witness table.

Mr. AMSTUTZ. The reason I wanted to lean back was to ask whether there were specific emergency type requests for wheat, to our knowledge, that were going unfilled. To my knowledge, there are none, Mr. Chairman. I would suggest in this area of section 416 usage, there are emergency applications and developmental applications. We tend to think of this aid process as being in one of those two general categories.

Our general feeling is that section 416 applies more fittingly and directly to emergency situations, as do some of our other programs, such as title II. There are some pending discussions on the use of section 416 for developmental purposes. I am not aware, Mr. Chairman, of any emergency need requests that are not being fulfilled.

Chairman LELAND. Is it true that USDA is concerned about the potention for displacing commercial markets for U.S. agricultural products or surpluses.

Mr. AMSTUTZ. That is one of our concerns, Mr. Chairman, of the so-called total monetization process, yes, sir.

Chairman LELAND. Is it not true also that surplus grains are continuing to mount in U.S. warehouses at alarming rates at the same time that malnutrition and starvation affect millions of people? We are concerned about that.

Mr. AMSTUTZ. It is true that this year, because of large production and less commercial demand than production levels around the world, that our inventories of so-called "program commodities"—commodities where we have price support programs—will increase.

It certainly is true, Mr. Chairman, as we all lament, that there are hungry people around the world. We, I think, have a commendable record in meeting those requirements that do exist. So far this year, for example, I believe we have programmed something like

3.2 million tons of food for African assistance alone. This is via our Public Law 480 program; it is via section 416; it is via the Food Security Reserve, the 276,000 tons of wheat I mentioned out of that reserve; and it is via sales under the so-called Whitten funds program. While he was in Geneva, the Vice President stated that the current figures for needs in Africa were about 6 million tons for food aid for this fiscal year. The record shows, Mr. Chairman, that this country has already in this fiscal year provided more than half of that total need requirement. So we really think we have been very forthcoming.

Chairman LELAND. Mr. Amstutz, I am not trying to minimize the efforts the United States has carried out in helping the relief effort in Africa, but, at the same time, it is rather alarming in discussing the matter with my colleagues here on the committee, in informal sessions, that we would have such a great reserve and surpluses—that it seems we may be able to do a lot more—given the will, we could just do a whole lot more. In the time of crisis like the one we have seen in Africa, it seems that we should utilize our surpluses to whatever extent necessary to help starving people.

Again, I am not saying we have not done a lot, I am just saying we could do a lot more; would you not agree with that?

Mr. AMSTUTZ. Mr. Chairman, when the subject is hungry people and some of them starving, it would be crass for anyone to say we are doing as much as one can. I mean that sincerely. One always feels there should be more that we can do. The question of people starving is intolerable. We all feel that way.

There are enormous problems, both of a national nature in recipient countries, which you are aware, in distribution, and the horrible logistical problems. But I am confident—and I base my statement not only on U.S. Government analyses of the situation, but press reports, and particularly non-American press reports, of this process of bringing food into hungry areas of the world, particularly in Africa this year—of how well it is going relative to how well it can be expected to go. Mr. Chairman, I really think that we are meeting the challenge the best way it can be done.

The long-range challenge, incidentally—and I have frequently said that we cannot create food security around the world until we eliminate poverty and, as long as there is poverty around the world, I personally am convinced, unfortunately, there will be hunger around the world. The only way to really address a lot of these problems that I alluded to before—distribution problems, logistical problems, national problems in recipient countries—is for the economies of those problems to be in a state where they can handle some of these things themselves.

Chairman LELAND. Let me ask you a follow-up question, Mr. Amstutz. How much does it cost the CCC to store 6.7 million metric tons of wheat?

Mr. AMSTUTZ. I think the current figure, Mr. Chairman, is around 30 cents a bushel per year. My arithmetic, and I don't have my calculator with me——

Chairman LELAND. About $13 per metric ton? I invite your colleagues, if they would have the——

Mr. AMSTUTZ. About $12 a ton.

Chairman LELAND. About $87 million; is that correct?

Mr. AMSTUTZ. As I say, I haven't made the multiplication.

Chairman LELAND. Our figures show that it would cost somewhere around $87 million per year to store 6.7 million metric tons of wheat.

Based on USDA 1985 marketing projections, there will be approximately 6.7 million metric tons of bulk wheat and CCC-owned surplus. In addition, 1985 marketing projections indicate large surpluses of corn, rice, sorghum, nonfat dry milk, cheese, and oil seeds. Also, according to producer and commodity groups, surpluses are expected to increase for wheat, corn, rice, sorghum, and dry milk over the next 4 years. Do you believe that section 416 authority should thus be expanded to increase all grain and oil seeds in surplus?

Mr. AMSTUTZ. I think, Mr. Chairman, that I would have to say, as I alluded to in my testimony, that we think we have tools available now under our Public Law 480 programs that provide for the movement of these commodities into these aid channels when necessary, when needed, when desired.

Chairman LELAND. Is it true, Mr. Amstutz, that grain is being stored with poor or minimal protection because surpluses are accumulating at such a rapid rate?

Mr. AMSTUTZ. I think the answer to that is no, Mr. Chairman. I hesitate before I answer, and it is always dangerous to give an all inclusive answer. I am quite sure there are probably areas where we have some condition problems, but these are addressed quickly. The fact is that, under contracts with those storing our grain, we endeavor to diligently protect the rights of the U.S. taxpayers, who are obviously directly involved in the risk of ownership of any commodity.

Chairman LELAND. Are you familiar with the Cargill Co?

Mr. AMSTUTZ. Yes.

Chairman LELAND. They have reported to us that grains are being stored in rather poor conditions, under tarpaulins, underground, et cetera. Are you familiar with those allegations?

Mr. AMSTUTZ. In some parts of the country, Mr. Chairman, one can store grain that way. I would have to know in what part of the country.

Chairman LELAND. I understand it is in eastern Washington State.

Mr. AMSTUTZ. I am not familiar with that particular one. I will look into it.

Chairman LELAND. I appreciate it.

Mr. SMITH. Would the gentleman yield?

Chairman LELAND. I would be glad to yield to the gentleman.

Mr. SMITH. Thank you, Mr. Chairman.

There are grains being stored outside in the States of Washington and Oregon. The spoilage factor has a great deal to do with the weather. However, grain can be stored outside with minimal damage, maybe to the first inch or inch and a half of the crust on top. So while there are grains being stored outside, I think the issue is how much is being spoiled because of that, and I would say very little.

Chairman LELAND. I thank the gentleman for his wisdom. I would ask Mr. Amstutz, whether he would be interested in having

his colleagues reply to some of the questions? We welcome the opportunity to hear from your colleagues if, in fact, you wish that they would reply to some of the questions.

Mr. AMSTUTZ. I think that the best thing here, Mr. Chairman—I got a brief briefing—is that we send a more complete report up here to you on that particular situation.

Chairman LELAND. Without objection, the record will remain open for a response to the question.

Mr. Amstutz, I am particularly concerned about increases in surpluses. Though you might not have received any recent requests in answer to emergencies, not just in Africa, but in those countries that are at risk of starvation at this point. To continue to have surpluses and to see those surpluses build at a time of such great crisis is of particular concern to this committee. I would appreciate any additional information that you might want to provide us.

[The information referred to above follows:]

EMERGENCY STORAGE BY WAREHOUSEMEN

The Department has approved the use of emergency storage by warehousemen in the States of Washington, Oregon, and Idaho on a case-by-case basis for this crop year. Because of larger than normal carryover stocks and the prospect of a bumper harvest in this area, we approved emergency storage to ensure that adequate storage capacity was available to producers who wish to participate in the price support program. To date, we have received only two applications from warehousemen in Washington and Oregon for this type of storage. These applications request approval for 8.8 million bushels of emergency space and are currently in the approval process. Emergency storage allows the use of ground piles and other types of storage which would not otherwise be approved because there is additional risk to grain stored in ground piles or other types of structures not normally used for a grain storage. Grain stored under emergency conditions must be placed in conventional storage by March 1, 1986.

In addition, we have approved 22 locations in Washington and Oregon for contemporary storage. This type of storage requires the grain to be placed on a concrete or asphalt base enclosed with rigid side walls. Aeration must be provided and the grain must be covered with a tarp or other suitable weatherproof covering. The use of these structures is currently limited to a 9-month period. At the end of the 9-month period, reinspection is required to determine if the grain is being maintained in good condition. If the grain is in good condition, the facility may be reapproved for storage for an additional 12 months. If the grain is not in good condition or is in danger of going out of condition, we will require that it be moved to conventional storage.

Because of the dry conditions found in the eastern areas of Washington and Oregon, the use of these types of short term storage methods is a fairly common practice. Grain loss while being stored does occur but is considered operationally minimal. In any event, the warehouseman must guarantee to the Government both quantity and quality of all grain. The warehouseman is required to absorb, as a cost of operations, the cost of discounts or purchases of better quality grain to assure this requirement. We feel that this adequately protects the Department's position as an owner and depositor of grain in a warehouse chosing to use this type of storage.

Chairman LELAND. You should understand that we share a basic philosophy. We might disagree on how some of the needs are met, but I think the committee is particularly concerned about building surpluses that could be used in this crisis.

I yield to my colleague from Ohio.

Mr. HALL. Thank you, Mr. Chairman.

One thing that I have tried to have answered in my almost 6½ years——

Chairman LELAND. Excuse me. If the gentleman will pardon me, let me introduce Mr. Hall. Mr. Hall is the chairperson of the International Task Force of the Select Committee on Hunger.

Mr. HALL. There is one question I have posed on several occasions, yet I have never received a satisfactory response. A year and a half ago when I was visiting the Agriculture Department, you talked about the existing surpluses. At that time, we were spending approximately $1 million a day just to store these surpluses. I imagine that amount to have increased since there are now even more commodities stored around the country. I don't know what the latest figures are.

Can you give me a good answer as to why we can't unload, or why we are not unloading more of our surpluses? We have such a horrendous tonnage of surpluses in storage, which you call assets that are paid for. We continue to pay horrendous rental rates, probably more than a million dollars a day.

The great paradox in this world is that we have farmers who produce, and yet, in many cases, are close to bankruptcy. We have people on the other side of the world who are starving. I believe that we can move some of these commodities overseas. There are PVOs that want to get section 416 commodities out.

Can you give me a good reason as to why we don't do that? What has been the major reason used by every administration and by every Department of Agriculture, for not moving these surpluses?

Mr. AMSTUTZ. The surpluses exist, to address the first part of your question—incidentally, first let me say that I understand and empathize with this seeming imbalance which is difficult to fathom.

The reasons the surpluses exist goes back, Mr. Hall, to the reason for our farm programs. The reason for our farm programs is to support price. Therefore, price levels in the marketplace are lower than those in the law at any given time.

Mr. HALL. I understand that portion. I mean, I understand how the surpluses are forward. I am not an argiculture specialist. I don't have an argicultural district. However, I can understand how we get surpluses. The question is: Why don't we utilize some of them? It would be both undesirable and impossible to donate all of them. Could we, however, donate a small percentage every year?

Mr. AMSTUTZ. We do get rid of some of them every year. I just outlined in my statement, Mr. Hall, what we are shipping this year under these various aid programs.

Mr. HALL. Mr. Secretary, I don't have the list here, but if I were to calculate the tonnage of each surplus commodity, the numbers would be so large, I could barely read them. I think anybody who can read numbers can understand that there is no way in the world we should be keeping these amounts of surplus as assets. Just give me a response for my own personal benefit so that I can give a good reason to my constituents back home. I have never been able to do that.

Mr. AMSTUTZ. That is why I started with the reason for the surpluses, as your initial question did. They exist in Government control because the law says we don't want prices trading below those legislatively determined support levels. So the reason for the sur-

pluses is to hold prices up above certain levels. They are price support oriented.

The fact of the matter is that, in this current era, the world is producing more food products than it is consuming. That being the case, surpluses are building. Why is the world producing more than it is consuming? There are a number of reasons.

I will first try to attack the consumption side. Why is consumption growing less rapidly than it was 10 years ago?

Mr. HALL. I don't want to get into that.

Mr. EVANS. Would the gentleman yield briefly on this point?

Mr. HALL. I would be glad to.

Mr. EVANS. I think the point that Mr. Hall is getting at is why can't we give it away, and wouldn't that be cheaper than storing it.

I would bring to the gentleman's attention a report that I asked the Congressional Research Service to do for me and was made available from September of last year. I think that the gentleman and the staff ought to look at that rather carefully, because what it really does is it looks at the costs of giving commodities away, and it makes the point that storing a ton of grain, as the chairman pointed out, costs about $13 a ton a year.

To give that ton of grain away, and just to get it to the coast of Africa, according to CRS, ranges from $49 a ton to $123 a ton. In other words, just to ship it as far as the African coast costs from 4 times the storage cost to 10 times the annual storage cost. By the time you move it from the coast into the hands of somebody who is hungry in Chad or Ethiopia or Mali or Niger, you have, in some instances, added as much as another doubling of the value of the commodity. In other words, to give away a dollar's worth of food, it costs somebody, in addition to that dollar's worth of food, $2 to $3 to deliver it in the hands of hungry people in Africa.

Mr. HALL. I am aware of that, Mr. Evans.

Mr. EVANS. And somebody has to pick up that cost. So far, the Congress has not been willing to provide for more than—our front, has not been willing to provide for more than is covered in Public Law 480.

To do it under section 416, these hidden distribution costs, to a very substantial case, many times the annual storage costs, are going to accrue to the budget of the Commodity Credit Corporation. I think this has been one of the great factors within the Department of Agriculture making them reluctant to pursue this route with more vigor.

Thank you.

Mr. HALL. If I could reclaim my time, I would just like to say, Mr. Evans, you are a sponsor of the bill that I have introduced in the Congress which doesn't propose to give these commodities away in the manner that you describe. What we propose to do is to pay the processors and shippers in kind.

In other words, what we are trying to do is cut down on the cash. As a matter of fact, if this is done in accordance with the provisions of the bill—the bill that you have sponsored—we will save cash in the long run. As a matter of fact, if we would release 5 percent of the surplus commodities under section 416 every year, it is our estimation that we would save about $16 million in cash.

Mr. EVANS. I agree. Just because I am a sponsor doesn't mean I agree with everything that is in it, but I strongly support the gentleman and our bill, and I do support a certain amount of monetization.

Mr. HALL. I still haven't received a good answer, Mr. Secretary. It is not acceptable to me. It might be acceptable to other people, but it is not acceptable to me. We have millions upon millions of tons of surplus food, and it is not acceptable to the American public that we have these assets of which we paid for, of which we now pay rent, and we are not getting them out. We can get them out. You know that as well as I do. I haven't heard a good answer from you.

I am not interested in the consumption and the growth of production, I am interested in receiving an answer to my question.

Mr. AMSTUTZ. It is always dangerous to give a bottom-line answer, Mr. Hall, without giving some of the rationale behind it, which I was attempting to do, but I understand that time is limited. Let me just try to, at the risk of oversimplification, address some of the major problems. Mr. Evans addressed one.

There are budgetary costs. There are costs to the taxpayer that have to be addressed. Then the question relates to what is the proper vehicle for assuming those costs. Is it via the regular appropriations method with the Congress appropriating the funds, as is the case under Public Law 480, or to use the CCC vehicle? The CCC vehicle, as I said in my testimony, Mr. Hall, is not free. We have to come to the Congress and have those coffers replenished. And the Charter Act of the CCC says that the purpose of the CCC is to support argicultural commodities. That is its role, not to finance foreign assistance.

This gets into a second major point that I guess I have already covered, this so-called back-door funding. It still relates to the cost area. Displacement of commercial sales is a real concern not only to the Department of Agriculture, but of private voluntary organizations that address this, too. They are not all united in this idea of monetization. Some of them see these problems of displacement.

Finally, I alluded to some of the cause of this hunger. There are serious concerns about disincentives to local production. One of the reasons for the hunger problem around the world relates to the fact that farmers in countries have not had the incentive to produce food. So there is a fear and a concern among professionals in this area of the long-range damage that can be done by programs that provide disincentive for increased production in these hunger areas.

In the final analysis, to cure this hunger problem, we have to develop self-reliance around the world. It is an economic question. That is a gross oversimplification, but——

Mr. HALL. That leads me to pose another question about an issue which you mentioned in your testimony. Should monetization be in use under section 416 or under title II?

I would like to ask why there is such a reluctance to permit monetization. You say you have done so. I would like to know how many times in the last 6 months you have allowed monetization in your various programs around the world? No. 2, why is there such reluctance for the CCC to approve this? I am, of course, referring to

the imposition of proper safeguards. I acknowledge your expertise and I welcome your suggestions for safeguards. Obviously, you have to protect the host countries, you have to be concerned about them. The private voluntary groups have to be concerned about them. You must have safeguards in law. There is no question about it. Why don't we permit more monetization, and why are you reluctant to do so?

Mr. AMSTUTZ. The reluctance to do it relates to these things I just ran through, and these get into the safeguard areas—the use of the CCC as a funding mechanism, the so-called back-door funding ramifications, displacement and disincentives. Those general statements cover our concerns.

I said earlier that, because of those concerns, we think monetization applications are far more suited to emergency food situations than developmental. On the developmental side, we think there are better routes, routes that include coming up here for the appropriation process and getting the funds for it. I said earlier that I am not aware of an emergency situation that has come up that we have not addressed, either via section 416 or title II.

Mr. HALL. With regard to monetization, we have a coalition of PVO's, 97 percent of which support monetization with proper safeguards. Now let's say we have proper safeguards in legislation. Would you still be reluctant?

Mr. AMSTUTZ. We would have a reluctance on the funding side of the role of the Commodity Credit Corporation and the funding, yes, sir, as opposed to via the appropriations route.

Mr. HALL. They are assets that are already owned. Are you telling me that you must come back to Congress and request appropriations to increase the CCC stocks?

Mr. AMSTUTZ. To replenish the coffers of the CCC, the balance sheet, as funds are spent. Mr. Evans mentioned that there was outlay in addition to the initial cost of the commodity.

Mr. HALL. But under the legislation we plan to introduce, that outlay would be paid in kind, not by cash.

Mr. AMSTUTZ. Then I think it would be—I would have to see what the safeguards are. I would be very concerned about displacement and disincentive factors.

I would just quote you—I won't quote you in the interest of time. A highly regarded organization that has addressed this question called the Interfaith Action for Economic Justice. I would welcome you hearing some of the comments they make about this. I say that knowing that this organization—that we are not, by any means, in total agreement with all of the positions advanced by this organization, but I would welcome you to hear what they say about it.

Mr. HALL. Thank you.

Chairman LELAND. The Chair now recognizes Mr. Evans.

Mr. EVANS. Thank you, Mr. Chairman.

There are several areas that we might pursue, but the problem of storage came up. I am under the impression, Mr. Amstutz, that the stocks owned by the Commodity Credit Corporation of grains today are far less than they were a couple of years ago, before the PIK Program. I am under the impression that around the country there is an abundance of storage under lease to the Commodity

Credit Corporation that is not full at this time; isn't that essentially correct?

Mr. AMSTUTZ. That is true. Mr. Evans, you are right, the current CCC ownership is less than it was prior to PIK. It will mount this year. To store some of the commodities that built up in our inventory in the pre-PIK period, we entered into some long-term arrangements, and some of those are not being totally utilized now. In some areas of the country, like the Pacific Northwest, the reverse situation is true.

Mr. EVANS. But at the moment, there is adequate storage nationwide for your stocks, right?

Mr. AMSTUTZ. Yes, on average. It is not necessarily in the right place.

Mr. EVANS. I understand. I just wanted to clarify that point.

I would like to get a little better understanding of how the cost accounting goes in CCC on your stocks in the disposal area. You acquire those stocks when a farmer defaults on a loan essentially, right?

Mr. AMSTUTZ. Yes.

Mr. EVANS. Earlier than that, you had made him a loan on that commodity. At the time you make the loan, that does not appear on your books as an expenditure, does it, or a cost? That is at the time you make the loan.

Mr. AMSTUTZ. I might have to send this up to you, because I want to be precise.

Go on, please.

Mr. EVANS. What I am interested in is exactly how the accounting is handled: first, when you make the loan; second, when the loan is forfeited; and third, what happens when you dispose of that material that you have acquired title to?

I am under the impression—and I may be wrong, and I hope you can clarify this for me—that when you make the loan to the farmer, that does not show up as an expenditure, as far as the Federal budget is concerned. And then when the loan is defaulted upon and you know you are not going to get that money back, then it does go up as an expenditure in the Federal budget. But when you dispose of that commodity, if you dispose of it for dollars, you recover some of that money, but, at that point, does it go to the Treasury rather than be kept within the Corporation, or does it stay within the Corporation?

You don't need to try to clarify this today, but this is an area that I think is rather important in determining how the books show what happens under these transactions.

Mr. AMSTUTZ. From an accounting standpoint, just like a bank, when you make a loan, the asset becomes the account receivable, and if the loan is defaulted, the collateral becomes the asset. When the collateral is disposed of at less than its value, that difference has to be replenished, and that is the process of us coming up here for replenishment funds.

When the loan itself is made, that is when there is a Federal outlay. On this sort of current basis that we live with in Government, the actual outlay of funds is the beginning of the process. I think that generally we consider when the loan is made, that is when the outlay has been made, and that is when on our balance

sheet we start adding when we are going to have to come up here for funds.

That didn't answer you very directly, and I have a feeling I should send you a full paper on this, and I will.

Mr. EVANS. I think it would be useful to this committee as we go down this road to know exactly what the implications of these various events in that chain might be.

[The information referred to above follows:]

CCC ACCOUNTING FOR GRAINS ACQUIRED THROUGH PRICE SUPPORT LOAN PROGRAMS

Under authority provided by the Agricultural Act of 1949, as amended, the Commodity Credit Corporation offers nonrecourse price support loans to producers for what, feed grains, and price following harvest. At the time the loan is made, it is considered an outlay by the Corporation and is charged against CCC's borrowing authority of $25 billion.

Producers have two options by which to liquidate their loan obligation to CCC. First, at any time during the initial period of the loan,[1] they may repay the principal plus interest to CCC. This receipt offsets the outlay incurred by CCC in making the original loan, and consequently, CCC suffers no net loss.

The second option for producers by which to liquidate their obligation to CCC is to forfeit the commodity to the corporation at loan maturity. At this point, the commodity enters CCC inventory, and as an asset of the corporation continues to be charged against the Corporation's borrowing authority. Commodities in CCC inventory are recorded at acquistion cost—amount due on the loan, excluding interest—plus any processing and packaging costs incurred after acquisition. Storage and handling costs for the commodities begin to accrue at the time of entry into inventory; these represent additional outlays and potential losses to CCC.

Commodities in CCC inventory may be disposed of in a number of ways. First, they may be sold by CCC in the commercial market. Statutory provisions provide guidelines as to market conditions under which sales are permitted. For example, CCC cannot sell basic commodities from price support inventory except at specified levels, generally bearing a fixed relationship to current support prices. At the time the commodity is sold, CCC offsets the outlay made at the time of the original price support loan but may suffer a net loss on the commodity itself to the extent that the sale proceeds—receipts—are less than the acquisition, processing, and packaging costs. Also, losses to the Corporation result from all interest and storage costs incurred during the period of CCC ownership.

A second means by which commodities in CCC inventory can be disposed of is through donation. When these donations are made, the Corporation incurs a net loss on the commodity equal to the original acquisition, processing, and packaging costs. Further CCC outlays and losses occur from the additional costs of handling, processing, packaging, and transportation costs which result during the donation process itself. In the case of foreign donations these transportation costs may include ocean freight and inland transportation charges overseas.

In terms of CCC accounting, total net outlays at the end of any given fiscal year reflect the difference between cash disbursed—price support loans, storage and handling charges, etc.—and receipts recovered—loan repayments, commodity sales proceeds, etc. To the extent outlays are not recovered, they are declared net realized losses of the corporation. Congress appropriates funds to restore these losses each year, so that CCC's borrowing authority with Treasury remains intact.

Mr. EVANS. I would like to go again to this cost of moving grain overseas and get an idea of what you normally would pay for under section 416 that would be chargeable to the Corporation. One, of course, under section 416, if you give away the grain, that grain is charged at that point.

Mr. AMSTUTZ. That is right. The grain is charged based on what we paid for it.

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[1] For wheat and feed grains these loans are initially made for 9 months, although they may be extended by entry of the commodities into the farmer-owned reserve. For rice, all loans mature on April 30 regardless of when the loan is made. No farmer-owned reserve presently operates for rice.

Mr. EVANS. Yes, against what you paid for it.

The next thing is, if it is going to go overseas bagged, you have to pay bagging costs; is that right?

Mr. AMSTUTZ. All bagging and processing.

Mr. EVANS. We were talking earlier about an annual storage fee being $13 a ton a year, roughly. This is what CRS says, and it fits with what the chairman raised earlier. That bagging cost, according to my figures here, is from one to three times the cost of your storage, just to get it in the bags. You might like to give us an estimate on this later on, but the bagging costs that I have listed here are from $14 to $38 a ton, compared to that $13 a year of storage.

Then you have to get it shipped to the port, right, and this also is a cost that is chargeable to the Commodity Credit Corporation when you do that?

Mr. AMSTUTZ. Right.

Mr. EVANS. The costs that I have here are from one to two times annual storage just to ship it to the port, from $18 to $29 a ton.

Then there are the port charges themselves. I assume you would be responsible for that in the Commodity Credit Corporation.

Mr. AMSTUTZ. Yes.

Mr. EVANS. That looks like about the equivalent of 9 months of storage charges to you at $9 a ton.

Then you have the ocean freight, of which half has to go in the U.S. vessels under the cargo preference laws. Typical to Africa, I see it is from $80 a ton shipped in foreign bottoms to perhaps $170 a ton shipped in American bottoms. The shipping costs are many times 1 year of storage.

The total, exclusive of the grain itself, are from $105 to $215 a ton. So you have more, on the average, than doubled the value of that grain by the time you get it to the coast of Africa.

Mr. AMSTUTZ. Yes.

Mr. EVANS. Generally speaking, at that point, your expenditures stop, right? You generally don't pay for distribution within Africa, for example, do you?

Mr. AMSTUTZ. Under a monetization program, we would not, presumably. We would stop at the port.

Mr. EVANS. But right now you pay?

Mr. AMSTUTZ. Certainly under title II, we pay for inland——

Mr. EVANS. Yes, but not under section 416, right?

Mr. AMSTUTZ. Just title II.

Mr. EVANS. So at that point, the PVO's, for example, or the recipient country would pick up the costs.

Mr. AMSTUTZ. That is right.

Mr. EVANS. And this is where monetization might come in to help them distribute within Africa, for example.

Mr. AMSTUTZ. Yes. That kind of monetization to help in distribution, we have no fundamental philosophical problem with that.

Mr. EVANS. So the philosophical problem you have is with using it above that to fund development efforts and things of this kind.

Mr. AMSTUTZ. Yes.

Mr. EVANS. Do you have any idea—I am sure there are some here who would be better suited to answer that question—but do you have any idea what typical distribution costs within the conti-

nent of Africa are from the port to the hands of those who are truly hungry?

Mr. AMSTUTZ. I think you are right. There are those here who could answer that better than me. I think it is awfully dangerous to generalize.

Mr. EVANS. I know. For example, if you are talking about interior countries such as Chad, as opposed to one that is on the coast like Ethiopia. But I think it is safe to say that you have again doubled the cost of the grain, that for every dollar's worth of grain that you give, it takes $2.5 to $3 to get that in the hands of somebody who is going to use it.

I am sorry to have gone on so long, Mr. Chairman. I thank you very much for the indulgence.

Chairman LELAND. I appreciate the gentleman's contribution.

Mr. EVANS. Mr. Chairman, if I may, could I submit this CRS report to be included in the record?

Chairman LELAND. Of course, without objection.

[The CRS report appears at the conclusion of the hearing, see p. 57.]

Chairman LELAND. Mr. Fazio.

Mr. FAZIO. Thank you, Mr. Chairman.

Mr. Amstutz, I assume that the Department's major goal right now is to reduce the costs of operating farm programs and, maybe fundamental to that over a period of time is stabilizing prices. You know we are going to have some losses in the farm community, but we do want to give those farmers who have an adequate cash flow the opportunity to make some money.

Don't you think that market-clearing activities, those kinds of programs like Public Law 480 that would work down these tremendous stocks of grains and feeds, would really stabilize prices and perhaps help in your overall goal of reducing the costs of supporting the farm programs?

Mr. AMSTUTZ. Yes, if, Mr. Fazio. The if is, and particularly on the donation side of Public Law 480, that it is not displacing grain or other foodstuffs that would go through commercial channels. So the displacement caveat is of significant importance.

Then, in addition, it has to be answered via the total sort of Federal outlay area—how many funds to be used for these purposes. Farmers have a direct interest in Federal outlays, too, in the Federal budget.

Mr. FAZIO. Many of them have direct interest in seeing that these outlays occur as well in order to help bring down the surpluses that do have a negative effect on prices. These are, I think, in many cases detrimental to adequate pricing, because of surpluses built up over the years. It does depress farm prices to have these kinds of surpluses around does it not? So, to the extent we can divest ourselves of them, even though it does cost some additional money—no question about it—don't we do in the long run the kinds of things that we need to do to stabilize our farm programs?

Mr. AMSTUTZ. That is the purpose of the farm programs. I am not debating this point with you because I understand what you are saying. Part of what is germane to our farm programs is to insulate from the market these so-called surplus stocks. That is both good and bad news in a sense, because it creates problems in and of

itself. But when the stocks are insulated from the market as they are now, it really doesn't have that much of a depressing effect on price. The stocks that relate directly to price are the so-called free stocks.

Mr. FAZIO. I guess there is some debate over that. People have different opinions.

Mr. AMSTUTZ. Yes.

Mr. FAZIO. You indicated earlier that you thought our major problem with the development of surpluses is our price supports being too high or loan rates being too generous. But isn't it true that many commodities that don't even have a role in the farm program, that don't have any support at all, are vastly overproduced? I suppose we could talk about the strong dollar and displacement in the world markets because of—particularly in these kinds of crops—boycotts and trade relationships, and we could go on and on.

Would you be willing to consider allowing some of these other commodities that are not price supported to be part of the Public Law 480 program?

Mr. AMSTUTZ. We are and we do.

Mr. FAZIO. For example, what kinds of specialty crops, as we term them in my State of California, are part of the Public Law 480 program?

Mr. AMSTUTZ. Peas and lentils in the——

Mr. FAZIO. This is an area of special interest of mine, and I don't want to take the time of the committee.

Mr. AMSTUTZ. We will send a full list up to you.

Mr. FAZIO. I would like to know which that don't fit into the category of wheat, corn, sorghum, and rice would be allowed under existing law? Must additional crops be authorized by Congress to be included?

Mr. AMSTUTZ. No.

Mr. FAZIO. You have complete discretion?

Mr. AMSTUTZ. The Secretary of Agriculture periodically announces lists of commodities that are available. The only category we can quickly think of is in that pulse area, but there are others.

Mr. FAZIO. I would like to pursue that some other time with you.

Chairman LELAND. If the gentleman would yield——

Mr. FAZIO. I would be happy to yield.

Chairman LELAND [continuing]. I would like to request that Mr. Amstutz submit a total list that is available for the record.

Mr. AMSTUTZ. Yes, we will.

[The information referred to above follows:]

COMMODITIES AVAILABLE FOR PUBLIC LAW 480 PROGRAMMING

Wheat/wheat products, rice/rice products, feed grains/feed grain products, upland cotton, ELS cotton.

Edible vegetable oil and products, tallow, edible and inedible, soyfood products other than oil, nonfat dry milk, butter.

Cheese, beans, dry edible, peas, dry edible, lentils, dried raisins.

Mr. FAZIO. There is no interest here in forcing food that isn't palatable to certain needy countries. I am not trying to propose that. I think we do want to match the tastes of the country with our production capability. But I think we could be more creative and in-

clude more commodities that are in oversupply. We should take a look at some of those that are not normally considered to be part of the basics of the diets of these countries, but which could provide a role and help our overproduced farmers in some categories.

I think we all understand the desire that you have to not disrupt local farm economies by coming in with a large assistance program. But isn't it true that the annual per capita grain production in the countries most seriously affected by drought has been falling about 2 percent a year since 1970? It seems fairly obvious to this committee that these estimates are going to bring about a situation, in the latter part of this decade, even if normal weather conditions return, when people are going to be producing amounts similar to the earlier years of the decade. Isn't it time we consider increasing the minimum tonnage levels that are currently available under title II of Public Law 480 to really take into consideration the realities of these markets?

Mr. AMSTUTZ. I am going to answer you sort of wearing my hat as a layperson in this aid area. Here again, I would urge this committee to hear this Interfaith Action for Economic Justice group.

One of the reasons per capita production has been going down relates to incentives for production. Obviously, there are other reasons, drought, and so forth. Professionals in this area, Mr. Fazio, have a great deal of concern about programming disincentives for developing self-reliance into programs. I urge you to reflect on that, because that is the issue that your question relates to.

I would share the view of this group I have mentioned on that. I see some dangers to that. I understand what you are trying to do, and your objectives are laudable. I can't debate your objectives.

Mr. FAZIO. If we are interested in having some sort of consistent program, and if we are interested in giving agricultural departments in some of these countries the ability to deal honestly with their farmers over a period of time, wouldn't it be useful to provide some multiyear commitments for food assistance to enable these countries people to guide these local farm economies toward what they can expect in what categories, so that they can plan their own crop production schedules around us?

Mr. AMSTUTZ. Yes.

Mr. FAZIO. Therefore, wouldn't it be helpful to have some long-term programs, multiyear commitments?

Mr. AMSTUTZ. Yes; you are right.

Mr. FAZIO. So you support that?

Mr. AMSTUTZ. Yes.

Mr. FAZIO. That is good news. I think the committee has found one area of agreement with you. We had to search long and hard, but apparently a breakthrough has been reached. [Laughter.]

Thank you, Mr. Chairman.

Chairman LELAND. Thank you for your contribution.

Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. Chairman, I regret that I have had to pop in and out. We have another committee that is functioning.

Chairman LELAND. The Chair fully understands the problem of committee scheduling which we must all participate in.

Mr. GILMAN. Thank you.

Mr. Amstutz, I would like to ask you a little bit about monetization. You mentioned it in your testimony and there may have been some questions, but could you tell us what is the status of the proposed Government guidelines with regard to the use of monetization? Should there be any difference between the Public Law 480, title II donations and section 416 donations in regard to monetization?

Mr. AMSTUTZ. To answer the first part of your question, the formal guidelines are fairly far along in process. I cannot tell you when they will finally be published, but I am quite confident—and you can ask this question of the PVO's as they came up—that the guideline criteria are generally known.

Mr. GILMAN. But why does it take so long for our agency to develop these guidelines? Doesn't that make it difficult for some of the PVO's that need to know what our policy is in making their applications in food aid projects?

Mr. AMSTUTZ. That is a good question. When this subject first came up, and we said that the best way to address these things is on a case-by-case basis——

Mr. GILMAN. Is that the way we are going to address it, or are we going to set forth some standard?

Mr. AMSTUTZ. We are still going to address it on a case-by-case basis. When this first came up, I said to someone on the Senate side up here who was very interested in this question that my own judgment was that we should not incumber this with a bunch of guidelines, but rather address each of these as they come forth. He said to me that he thought that was a great idea, and that we make this as least bureaucratic as we can.

Then, clearly, there was a desire by those interested to have something to sink their teeth into, so we began this process of sort of formalizing these guidelines, the number of agencies, Mr. Gilman, that this has to clear through. It is not only a question of the Department of Agriculture, but, as you know, we try to speak with one voice and, as an administration, there are a number of bases that have to be covered.

Mr. GILMAN. Can you give us some idea when you anticipate that these guidelines will be——

Mr. AMSTUTZ. I hope soon. That is not answering your question, I understand.

Mr. GILMAN. You have no idea then how much more time it will take to establish guidelines for monetization?

Mr. AMSTUTZ. I don't want to mislead you, Mr. Gilman, I——

Mr. GILMAN. How long have they been working on them?

Mr. AMSTUTZ. We have been working on them for several months.

Mr. GILMAN. Maybe we need a separate task force created.

Can you tell us why there is some reluctance under the America donation program not to donate wheat even though we donate dairy commodities?

Mr. AMSTUTZ. We are willing to consider wheat proposals. As I said earlier here, our thought is that there is much more application to this for emergency situations as opposed to developmental purposes. Our principal concern on wheat is this so-called displacement of commercial business concern.

Mr. GILMAN. Wouldn't the same apply to dairy?

Mr. AMSTUTZ. In international markets—I am not saying displacement is not a concern in international markets of dairy products, but displacement of wheat is of greater concern, because in the dairy, to be candid, in international markets we are not displacing U.S. exports of dairy products; in the area of wheat, we could be displacing U.S. exports. That is a very selfish answer, and it is a factual statement.

Mr. GILMAN. Yet, we have a great deal of wheat surplus.

Mr. AMSTUTZ. Yes.

Mr. GILMAN. So then it boils down to not interfering with the private sector; is that what we are saying?

Mr. AMSTUTZ. Not adversely affecting the price that the farmer gets for his wheat. If we displace commercial exports of wheat, it is that much less wheat the farmer sells.

Mr. GILMAN. To countries that are stricken with emergency——

Mr. AMSTUTZ. If there is a displacement.

Mr. GILMAN. So you are saying then that the farm community is dependent upon those exports even to those areas that have emergency needs? Is that what you are saying?

Mr. AMSTUTZ. The concern on displacement, stated in terms of our interest in the U.S. farmer, is we have a concern about displacing demand that would ordinarily flow to the farmer.

Mr. GILMAN. But that is not an ordinary demand when we talk about emergency needs, is it? It is not the normal demand when we talk about a famine, a period of famine?

Mr. AMSTUTZ. Mr. Gilman, if it is a bona fide emergency without displacement—I said earlier, I think, perhaps when you were out—I am not aware of an emergency kind of a situation that we have not met via one of our programs.

Mr. GILMAN. Including donation of wheat?

Mr. AMSTUTZ. Yes.

Mr. FAZIO. Would the gentleman yield?

Mr. GILMAN. I would be pleased to yield.

Mr. FAZIO. Have we shipped any wheat to these African countries in this emergency?

Mr. AMSTUTZ. Yes.

Mr. FAZIO. How much have we shipped—under section 416, I should specifically point out.

Mr. AMSTUTZ. Under all of our programs in all grains, we have shipped something like 3.3 million tons. Wheat has been a major component of what we shipped.

Mr. FAZIO. What about the section 416 program?

Mr. AMSTUTZ. I don't believe we shipped under section 416, but we have shipped under title II and donated under title II.

Mr. FAZIO. Why haven't you under section 416?

Mr. AMSTUTZ. We don't need to. Remember what I said, Mr. Fazio, I am not aware, particularly in Africa, of an emergency situation that we have not fulfilled.

Mr. GILMAN. If I might just reclaim my time.

Mr. FAZIO. Sure.

Mr. GILMAN. Under section 416, we shipped from surplus products, is that right, that were in reserve or stored someplace? Is that correct?

Mr. AMSTUTZ. We shipped from surplus products under the shipments from the wheat food security reserve, and some 276,000 tons of that has gone out to Africa.

Mr. GILMAN. Just tell me generally. Under section 416 for foreign donations, are those shipments out of reserves that we had stored someplace?

Mr. AMSTUTZ. Yes.

Mr. GILMAN. In this current emergency, have we shipped any wheat out of those surpluses out of section 416?

Mr. AMSTUTZ. Under the current emergency, have we shipped wheat out of Government-owned stocks? Yes.

Mr. GILMAN. We have?

Mr. AMSTUTZ. Yes.

Mr. GILMAN. Then we do from time to time ship some wheat out of section 416?

Mr. AMSTUTZ. Do we ship out of Government-owned inventory? Yes, and we have a number of programs, Mr. Gilman, that we can employ, section 416 being one. We can ship title II out of Government-owned stocks. The shipments out of the wheat food security reserve have come out of Government stocks. The so-called sales at reasonable levels to African countries employing the so-called Whitten funds have come out of CCC stocks.

Mr. GILMAN. Then why have you made this statement on page 3 that, "Although there has been some interest in donating wheat, thus far dairy products are the only commodities which have been moved abroad under the program."

Mr. AMSTUTZ. Under section 416.

Mr. GILMAN. Yes.

Mr. AMSTUTZ. Yes.

Mr. GILMAN. But you are testifying that you are moving abroad under section 416.

Mr. AMSTUTZ. Perhaps we are not communicating. I thought you were saying, have we moved wheat out of CCC inventory? Yes.

Mr. GILMAN. Under section 416?

Mr. AMSTUTZ. No; but under other programs.

Mr. GILMAN. Let's get that clear. We are not moving any wheat out of section 416 for any shipments abroad; is that correct?

Mr. AMSTUTZ. So far, no. That is right.

Mr. GILMAN. But we are moving it out of other Government stocks?

Mr. AMSTUTZ. There are no other Government stocks, Mr. Gilman.

Mr. GILMAN. I thought that is what you told me.

Mr. AMSTUTZ. We don't have a warehouse of section 416 wheat here, and a warehouse of title II wheat here. It is all commingled, Mr. Gilman.

Mr. GILMAN. Are we paying for that wheat that we are shipping abroad? Are we paying the American farmer for the wheat that we are shipping abroad?

Mr. AMSTUTZ. Some of it under the Public Law 480 programs, yes. The funds are appropriated by the Congress, placed in the hands of the recipient countries—and the recipient countries in a Title I Program—and the recipient countries enter the marketplace and buy the grain.

Mr. GILMAN. We are really going out into the marketplace, buying the wheat that is needed for emergencies, and shipping it abroad; is that correct.

Mr. AMSTUTZ. Under some of our Public Law 480 programs, yes.

Mr. GILMAN. But we are not shipping any of the wheat that we have stored in surplus for these emergency programs?

Mr. AMSTUTZ. Yes, we are doing some of that, too, Mr. Gilman.

Mr. GILMAN. But not under section 416.

Mr. AMSTUTZ. Not under section 416. Remember what I said, there are a number of programs that we have at our disposal to use.

Mr. FAZIO. Would the gentleman yield?

Mr. GILMAN. I would be pleased to yield.

Mr. FAZIO. Why do you choose to take one approach and not the other? What is the rationale that you use, from a bureaucratic standpoint, to make your choice as to how you go about it? There must be a reason.

Mr. AMSTUTZ. Under title II, which is the program that the Congress provided for providing emergency shipments on a donation basis to hungry people, the program works quite well, and it accomplishes the objectives of getting food to needy people on a donation basis.

You know, section 416—I am not a very good historian—section 416 proceeded as a program title II, and title II really was a refinement of the section 416 process. The old program, both for U.S. donations and overseas donation, was section 416. Then came all these refinements to Public Law 480. So we are using a newer tool.

Mr. FAZIO. You think the old tool, in effect, is passé and of no value in the future? You are not going to use it? It is simply not even a tool anymore?

Mr. AMSTUTZ. No. We said we are willing to consider these things on a case-by-case basis.

Mr. FAZIO. What kind of case would cause you to use that?

Mr. AMSTUTZ. I really tried to say that. I tried to say that we see much more application in an emergency sense than in a developmental sense for that particular program.

Mr. FAZIO. And you don't think we have had the kind of emergency that, at this point, would qualify for that?

Mr. AMSTUTZ. Mr. Fazio, I would prefer to answer the question—is the question: Are we not providing emergency food to people because we are not using section 416? The answer is no. We are providing emergency food.

Mr. FAZIO. I understand that you are, and I understand your saying that. I am wondering what your rationale is for using one approach over another. That is all.

Mr. AMSTUTZ. I have given you one answer, that we have used the newer tool that the Congress has provided.

Mr. FAZIO. That is not an answer. You told me what you did, but you didn't tell me why. Why did you use the newer tool and not the older tool?

Mr. AMSTUTZ. Because it works perfectly.

Mr. HALL. Would the gentleman yield?

Under section 416, you have 6 million tons of wheat, as I understand it.

Mr. AMSTUTZ. No. Mr. Hall, there is some confusion about stocks being earmarked under one program or another. That is not the case. I am not sure where that began. Maybe that is why we have had some difficulties in communicating.

I say again, we don't have *x* number of stocks stored under a section 416 program, *x* number of stocks stored under another kind of a program. They are all commingled, Government stock. The program application relates to not the ownership of the stocks, but the method of disposition.

Mr. FAZIO. What about the cost, the budgetary impact?

Mr. AMSTUTZ. The donation of 276,000 tons to Africa of wheat from the wheat food security reserve this year came from the same reservoir as title II shipments, in the same reservoir as section 416 would come from.———

Mr. FAZIO. And no budgetary impact that would be different, no fiscal effect?

Mr. AMSTUTZ. The fiscal effect comes into play, Mr. Fazio, with the monetization, which we have spoken to, because there is a fiscal impact. Under title II—and perhaps I should have mentioned this again when we answered your question why did we use it—under title II, the Congress appropriates the amount of funds that will be expended for this purpose. Under the monetization concept, the Commodity Credit Corporation would provide this funding, and the appropriation of those funds would come sort of indirectly at such time as the CCC came back up here and asked for———

Mr. FAZIO. Did that drive your decision then, in fact, the way———

Mr. AMSTUTZ. Surely, it does. I mentioned that in my testimony, Mr. Fazio, and I apologize for not mentioning it again when you———

Mr. FAZIO. That is all right. You would rather have us appropriate specific amounts of money for specific programs rather than simply replenish the CCC periodically, as Mr. Whitten likes to do, to draw down for whatever purpose the administration wishes to allocate the funds.

Mr. AMSTUTZ. No. We think there is better discipline in it.

Mr. FAZIO. Better discipline. We are all in favor of that.

I am sorry, Mr. Gilman.

Mr. GILMAN. One other question—did you want to make a comment.

Mr. AMSTUTZ. I was trying to signal that I have a problem.

Chairman LELAND. He was supposed to have left at 10:30.

Mr. GILMAN. One last question, and very briefly, do you or do you not favor monetization?

Mr. AMSTUTZ. I see great merit in monetization for the incountry distribution problem. I have major problems with the so-called 100-percent monetization for the reasons I have tried to list, that this so-called backdoor funding that I was just speaking of with Mr. Fazio, the disincentive problem for local production, the displacement problem, for those general reasons.

Chairman LELAND. The Chair would like to ask Mr. Amstutz, please, would you submit to us a response to the question that Mr. Gilman has just asked in full on your feeling about monetization?

Mr. AMSTUTZ. Sure.

Chairman LELAND. I would appreciate it.

[The information referred to above follows:]

MONETIZATION OF DONATED FOOD COMMODITIES

Monetization of commodities donated under title II of Public Law 480 is presently authorized "to promote economic and community development." The existing practice within the interagency food aid working group is to review and approve title II program proposals with monetization components on a case-by-case basis. At the present time, a number of title II programs include a monetization component. Among the most notable has been the Cooperative League of the U.S.A. [CLUSA] program in India which supports the development of farmer cooperatives.

Current legislation authorizes sales and barter of commodities donated under section 416 as approved by the Secretary of Agriculture for certain purposes. The administration opposes full-scale monetization of commodities donated under the section 416 program. Some U.S. private voluntary organizations (PVO's) have proposed full-scale monetization of commodities donated under the section 416 program. Such authority would allow the PVO's to sell donated wheat and dairy products within recipient countries for local currencies. The local currencies would, in turn, be used by the PVO's to expand economic development activities in these same countries. Such action would: (1) make the Commodity Credit Corporation and its assets a vehicle for providing foreign assistance, a role traditionally assigned to title II of Public Law 480 and other non-USDA foreign assistance programs; (2) constitute back-door financing of development assistance which is not subject to annual congressional review, as the section 416 program is not funded through the regular appropriations process; (3) increase the possibility of displacement of U.S. commercial exports; and (4) serve as a potential disincentive for local production by expanding local supplies without a comparable expansion of demand, driving prices down.

Chairman LELAND. Mr. Evans would like to ask you one question very quickly as you leave.

Mr. EVANS. Mr. Amstutz, one of the things that has been suggested by the President some time back, and it was also included in Mr. Hall's bill, deals with the concept of prepositioning of stocks. Could you comment briefly on the philosophy of the Department on that particular subject?

Mr. AMSTUTZ. We are doing a lot of prepositioning right now, Mr. Evans, in moving product in to port areas in anticipation of it having to go out of this country. In our judgment, that is the prepositioning that really works, from the standpoint of getting food to hungry people more quickly. The problem of prepositioning in hungry areas is anticipating where those hungry areas will be. Now there will be pilot projects in that area, but we have great difficulty determining 5 years hence where is the problem going to be. But, in the meantime, we are doing this prepositioning of moving both raw grain and bags, and so forth, into deep-water port positions so that we can effect shipments more rapidly, and we think that is working quite well.

Mr. EVANS. Are there any attractive features to prepositioning aboard ships?

Mr. AMSTUTZ. Storing on a ship is dangerous. You know, grain is living, and like all living things, it deteriorates with age. If it is not stored under good airflow conditions, it could be dangerous. A tight ship without an airflow can be dangerous. It has been done, but it takes some special care.

I apologize for my schedule, Mr. Chairman.

Chairman LELAND. That is all right, Mr. Amstutz. We know that you have the weight of the world on your shoulders. We really appreciate your indulgence. Thank you very much.

Mr. AMSTUTZ. Thank you.

Chairman LELAND. Our next panel of witnesses will include Robert McCloskey from Catholic Relief Services and Charles Sykes from CARE. Both witnesses will discuss Public Law 480 title II, and food aid in section 416.

We will hear first from Mr. McCloskey, who is the senior executive for external affairs for Catholic Relief Services. Mr. McCloskey.

STATEMENT OF ROBERT J. McCLOSKEY, SENIOR VICE PRESIDENT FOR EXTERNAL AFFAIRS, CATHOLIC RELIEF SERVICES

Mr. MCCLOSKEY. Thank you, Mr. Chairman.

Chairman LELAND. Ambassador McCloskey, would you please limit your testimony to 5 minutes, and your testimony will be submitted for the record in full.

Mr. MCCLOSKEY. Thank you, Mr. Chairman. I will be happy to summarize my statement.

Commodities that have been provided over the years through Public Law 480 have proved invaluable. There is no question that, in the 30 years of its existence, the lives that have been saved and the health restored in deprived nations around the world combine to make a very impressive record.

There is often dispute about the precise level of food and need throughout the world. Nearly all recent estimates from all reputable sources, like the Department of Agriculture and the food and agriculture organization, project very large deficits out over the next several years, and that hunger will continue to blight the lives of millions.

We at CRS believe it is fair to expect the United States to undertake to meet world needs up to 50 percent of the total. We favor congressional authority that would mandate this commitment through fisal year 1989. In light of these current projections of need on a global scale, this may well involve for the United States doubling current levels of title II. We are, of course, talking about allocations that would be made from title II to both the World Food Program as well as the private agencies of the United States.

It is the need that is the compelling issue for increasing minimum tonnage. And getting it from port to port is less of a problem because of the sense of the Congress in providing the cost of ocean freight. Getting the food to where it is needed inside those countries is a complicated matter. While the principle that recipient countries should meet incountry costs is beyond question; the fact is that some of these afflicted countries are often too poor and lack the infrastructure to bear this burden. In those cases, it has been our view continually that it is essential that nonfood aid costs be provided for if the commodities are to meet the need in these various countries in the most timely way.

We believe that the impact of food as a resource for development could be considerably enhanced through programs of monetization. That is, of course, the sale or barter of some portion of the commodities that are made available. As we see it, carefully targeted monetization of commodities could greatly assist in mounting programs in agricultural extension, water management, basic health

care, nutrition education, and perhaps small-scale credit which we see as central to development needs in these countries.

Let me emphasize that we do not look upon monetization as a quick fix or a panacea. We are aware there are valid concerns about using commodities to provide cash. I would contend that the use of sale or barter arrangements in clearly defined programs is consistent with the goals of Public Law 480 and has enhanced the integrity and impact of food for peace.

We believe that any program of monetization must be sensitive to the country or countries in which it is proposed to function. Each sale must have safeguards in the form of agreed procedures to account for the impact on local markets and production. We would suggest that expanded use of monetization start carefully to allow time for local governments, the private organizations and appropriate U.S. Government agencies to evaluate the results and to make modifications and adjustments as necessary.

We believe a beginning might be made at the level of 15 to 25 percent of the title II appropriations, that is, reflecting increases in the minimum tonnage. Such an approach would, we are convinced, demonstrate the efficacy of the process and build confidence in its potential. Our use of monetization today, especially using commodities provided by the European Community, persuades us that more can be done, and that monetization could well become one of the most creative uses of title II and its commodities since the passage of Public Law 480 in 1954.

One of the single largest obstacles to effective food planning is the uncertainty of food resources from one year to the next. For that reason, CRS believes and has said before that title II programs should be made available in multiyear commitments. This approach would result in more efficient food aid programming to be managed by private agencies and, we believe, in the end have greater developmental impact in the countries where that is what is required as the next step, if it is possible to have people fed.

Finally, Mr. Chairman, we welcome recent expansion of the authority of section 416 that makes wheat available in addition to the dairy products for overseas delivery. We do not believe that section 416 can or should be used to replace Public Law 480 as the primary source of U.S. food assistance. It can, section 416, however, add another dimension to food for peace, and we would favor further expansion of the use of these commodities, using the safeguards which apply to title II, particularly with regard to market disruption and potential disincentives to local production.

I will leave it at that in summary, Mr. Chairman. Thank you for inviting this agency.

Chairman LELAND. Thank you very much for participating here today.

I would also like to say that I am very proud of the work of Catholic Relief Services, in Africa in particular. Monsignor Coll was very helpful to us in November of last year during a trip to Ethiopia. This guidance was sincerely appreciated. I wish that you would convey to the higher authorities, if you will, that we appreciate his dedication.

Mr. MCCLOSKEY. I would be happy to do that.

[The prepared statement of Mr. McCloskey appears at the conclusion of the hearing, see p. 70.]

Chairman LELAND. We would now like to hear from Mr. Sykes, who is the director of the CARE Washington Office. Mr. Sykes.

STATEMENT OF CHARLES L. SYKES, ASSISTANT EXECUTIVE DIRECTOR, CARE

Mr. SYKES. Thank you very much, Mr. Chairman.

We submitted a written statement to the committee.

I think I would be derelict in my duties representing CARE if I did not, first of all, commend the committee on its 1st year of operation. As members of the coalition for the creation of the select committee, we are very proud of the work and the dimension which this committee has given to both considerations of domestic and international hunger and poverty questions to those committees with jurisdiction in those areas.

Chairman LELAND. Thank you very much.

Mr. SYKES. In many ways, this will echo many of the points made by Mr. McCloskey. CARE, along with several other agencies which constitute the groups which are managing food aid programs under title II, have formed a coalition; we have basically tried to come up with major recommendations which we think should be covered in the deliberations of this committee and the other committees which are concerned with the formation and formulation of food aid policy for our country.

First of all, we feel that—and I know it has been borne out in other testimony—the lead role of this country is vital to the whole international community. Our request for consideration of increasing the minimum tonnage incrementally and annually over the next several years is principally based on the needs projections which have been given by FAO, our own USDA, and IFPRI. It is apparent that the 10 million metric tons cereals gap which was projected at the World Food Conference (WFC) meeting in 1974, for the poorest countries of the world, is going to increase in the next 5 years. In the best case scenario, the gap is likely to be about 16 million metric tons; and in the worst-case scenario, perhaps 30 million metric tons. At the 16 million metric ton level, this covers simply status quo requirements. This does not meet the objective of closing the nutritional gap for people who are short of food in those countries. So we would hope that in your deliberations, you will take a very, very good look at these projections for these poorest countries. They have been well documented.

Only yesterday, we received information from the FAO in Rome indicating that when the food aid convention expires in June of 1986, there will have to be reconsideration by all the donor nations of food aid targets. It is important that this year, as we consider our own country's food aid policy, that this gap be taken into consideration.

Renewal of the convention as it says in this press report from Rome, should aim to provide increased funds and greater food aid than the 10 million tons set down by the World Food Conference in 1974. We would commend the report of the proceedings of FAO in their meeting of April 10 to the committee in its deliberations.

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Second, to address the question of monetization, which has come up with some frequency in the discussions earlier with Mr. Amstutz, and as mentioned by Mr. McCloskey, I think it is important, Mr. Chairman, to put in perspective food aid; the quantum of food aid, which we as a country make available, and especially that under title II, is a fractional part of total world trade in cereals. Over the last several years, total global trade in cereals has run over 200 million metric tons per annum. Now let's look at what portion of that is represented by food aid under title II. It is roughly a half to three-quarters of 1 percent. U.S. Food aid goes to approximately 60 countries, and it goes usually on a quarterly basis for nonemergency programs. So we wonder where the market disruptive implications for such a marginal amount of food occur.

We would also like to add that, with regard to potential for disruption of local food production, there is a provision already in Public Law 480, the Bellmon amendment, which clearly states that in such cases where there is local market disruption, it should be invoked and, therefore, cancel such programs. Well, since its passage in 1978, the Bellmon amendment has never been invoked. Why? Again—and I will offer an example—the title II program in India is currently the largest title II non-emergency program. It constitutes 0.0017 percent of total annual production of cereals in that country. And it goes to 14 different States over a period of 12 months to support Child Nutrition Programs, School Feeding Programs, and food for work run by organizations like CARE and CRS.

We would also like to state that 100 percent monetization in certain economic development programs is legitimate. I think one of the best examples is the title II Oil Seeds Program in India, which has enabled some 350,000 small farmers to start producer cooperatives, reaping the benefits of ownership in a cooperative venture, producing a commodity which is in deficit in India and vital to the improvement of nutrition.

Finally, I would like to comment, Mr. Chairman, on title II multiyear provisions. These provisions already exist for government-to-government and World Food Program projects. We would like to see this provision applied to the PVO's as well, where we can count on 3- to 5-year commodity availability commitments, based on budgetary considerations of course. This enables us to extract commitments from our counterparts in the ministries of health and the departments of education, and so on, and to pull in resources that would not be available if we were working on a 365-day cycle not knowing whether those commodities would be available beyond 1 year.

Additionally, it enables our organizations to hire highly competent professional staff and to add our own resources in this partnership in making our food aid more effective. We note with great pride that, in Mr. Hall's bill, many of these principles are covered, and we deeply appreciate the qualitative improvement which appears in the Hall bill.

Thank you, Mr. Chairman.

Chairman LELAND. Thank you very much, Mr. Sykes.

[The prepared statement of Mr. Sykes appears at the conclusion of the hearing, see p. 73.]

Chairman LELAND. Let me ask the two of you, what potential disincentive do you foresee to agricultural production in recipient countries from monetization or increased levels of food assistance?

Mr. MCCLOSKEY. Depending on the country, I would say very little. If the criteria that we have in mind were adopted as a guide, that the amount permitted to be monetized would be set at a certain percentage of the overall program without drawing down that specific program, and that the moneys would be used for developmental purposes, as opposed to inland transportation costs, which the Department of Agriculture seems to think is preferable, I don't see that—in my prepared statement you will see the case of Burkino Faso where the amount that was monetized was relatively minor compared to the country's own production, what it bought in the open market, and the quantity that was monetized out of Public Law 480—it can't be argued as creating a disincentive or displacement in the local markets.

Mr. Sykes has used a global figure to make the same point. I think there is some specious argument that goes on about the risk of displacement and creating disincentives in countries that would grow out of monetization.

Chairman LELAND. Mr. Sykes.

Mr. SYKES. Thank you, Mr. Chairman. With reference to monetization, I will cite a practical example in Bangladesh, where we monetized 7,000 tons of Canadian wheat to establish wage funds for 31,000 rural landless women to maintain 5,400 miles of rural road.

The total annual requirement of cereal for Bangladesh is about 16 million metric tons. So one would have to measure the impact of the 7,000 metric tons juxtaposed to the total cereal requirement to feed the population of some 90-plus million people in Bangladesh. We don't think it has any appreciable effect. First, the wheat goes into the dual marketing system, that part of the marketing system which serves the needs of the poor. According to World Bank data, 89 percent of the population of Bangladesh are considered to be poor. They are below the poverty line.

So we think that in situations like that, we would leave it to those who are dealing with food aid disincentive polemics to come up with examples please prove your case. Some attention should be given to seasonality. When food aid is made available, it will be much more effective when it reaches people before harvest. One doesn't want to bring the food in at harvest time, when the crops of that country are coming in. Certainly in all these countries, small, nonmarket disruptive sales could be defined in precise terms, but we have not had much success in getting that definition clearly stated by the administration. Taking a 3-year average production figure of a particular commodity, and saying, OK, if our food aid is less than 5 percent of what is produced locally, it's not going to have any effect on the local market. The Bangladesh project has tremendous implications, as we can see, for employing people and meeting the economic development and humanitarian objectives of the legislation and the amount of food aid involved is inconsequential from a market point of view.

Chairman LELAND. Very good.

Congress approved significantly increased levels of food aid for Africa famine victims this year. What kinds of development activi-

ties are needed to supplement the food assistance program? How would you propose changes such as monetization and multiyear commitments in these efforts?

Mr. McCLOSKEY. It seems to me there are two parts to that, Mr. Chairman. The development needs, as we see them—and let me take Ethiopia to begin—are, in many cases, quite self-evident. There is a need to try to produce water in areas where there hasn't been rain, where wells that have originally existed have run dry. There is a need in other parts of the country to get the crop in. We have committed a very substantial amount of privately contributed moneys to development projects in Ethiopia, and are examining the same disciplines that we have agreed upon there to apply to other countries in sub-Sahara Africa where we also will commit a fairly substantial amount of privately contributed money.

The one particular use that could be made in addition to what is now permitted under title II commodities are food-for-work programs. Food-for-work is, by definition, a form of development, so that you could use increased tonnages, if the Congress approves them, in projects like food-for-work. We have already talked about monetization and how it could be used for further developmental purposes. So, I see a direct connection between the development needs of these countries and authority to further monetize and for increased levels of commodities.

Mr. SYKES. Mr. Chairman, we are in agreement with the food-for-work suggestion, obviously. But the types of programs I just described in Bangladesh, that type of program, is vitally needed in Africa, the opening up of infrastructure. The roads, the using of food and using part of the funds generated by the sale of food, are vital in these areas. You have seen the problems yourselves, the whole question of transportation infrastructure and the linkage of communities and markets, and so on.

Monetization, for example, can occur at the national level, a regional level, or a village level, for that matter. If people are capable of purchasing food and generating cash and money, the limitation becomes what you can use the local currency for. As you know, in looking at those marketplaces, you can't go out and buy cement to build culverts and bridges because they don't have the foreign exchange. For the same reasons they don't have the food, from commercial sources, they don't have the basic assets—the lubricants, fuels, and so on—to keep vehicles going—or the spare parts, because these come from the foreign exchange sector.

So we need to also think in terms of the importance of the dollar commitments, used in tandem with our food aid commitments to bring about the necessary sort of synergistic effects that really does lead to development.

Chairman LELAND. Thank you.

Mr. McCloskey.

Mr. McCLOSKEY. In the prepared statement I submitted, Mr. Chairman, you will see a reference to a monetization program we are operating now in Egypt. That is where we are monetizing food provided by the EC to support a winnower-thresher, a machine that CRS, in collaboration with some local Egyptians, have perfected as a all-purpose cultivator for small farming. I have seen the thing operate. It is a striking example of small-scale development,

and we have been able to support it through a monetizized food program in Egypt.

Chairman LELAND. Very good.

If section 416 authority were expanded to include all grains held in surplus by the Commodity Credit Corporation, would you be interested in development programs to utilize this additional resource?

Mr. MCCLOSKEY. I only hesitate over the matter of all grains. I don't know whether I should have taken that literally. Certainly the case for wheat, I think, has been aptly made. There are places where wheat from section 416 stocks would indeed make sense.

In our case, we have a project before AID that would use wheat from section 416 stocks in India. That has not been approved. I should say, that it hasn't been disapproved either. That is not an emergency program; it would be a regular program. But I think there is no question that wheat from section 416 would serve well. Projects could be developed to use it and, once the authority becomes clearer, I think that may well indeed happen.

One of the things that I am frank to admit, Mr. Chairman, I don't quite understand—and I am not sure it was clarified by the Department of Agriculture this morning—is when there will be guidelines as to how those commodities which the law would permit to be monetized can be monetized and what the criteria should be.

Chairman LELAND. Thank you.

Mr. Sykes.

Mr. SYKES. Yes, I would like to make some comments on section 416.

I think, first of all, the principle of additionality should be foremost in the committee's thinking about section 416. It should not replace, it should be additional to Public Law 480. We should not have a food policy that is based on surpluses held by a government.

No. 2, there are some important and specific cases where I think it is better used than in others. Let me first say that it should not be used or, in most cases, would not be suitable for multiyear programs, because who knows what is going to be in the CCC stocks 3 years from now. And to build long-term programs on that basis, I think, would detract from the Public Law 480 title II objectives and aims.

No. 3, it could be used in shorter term programs as additionality and as a bridging mechanism to help countries that suddenly face debt-servicing problems, countries that have graduated from title II, and have no way of expressing that market demand because they are short of foreign exchange. There are a number of countries that fit that category.

Like CRS, we have also submitted 416 proposals for India. The people we are talking about who would receive the wheat and butter oil in India are chronically malnourished.

It has been 2½ years since the original section 416 passed, and proposals are still on a case-by-case basis. It is very hard for our people in the field to try to come up with proposals when there are no clear guidelines; We would love to have guidelines; then we would know whether we should apply or not apply at least.

Chairman LELAND. Thank you.

The gentleman from Nebraska, Mr. Bereuter.

Mr. BEREUTER. Mr. Chairman, thank you for your prompt calling on me. I am the ranking member of a banking subcommittee looking at African development fund proposals today, so I hope you will forgive me for my slow start here today.

Chairman LELAND. No problem at all.

Mr. BEREUTER. I have had an opportunity to catch up a little bit with advanced reading in preparation for this. I very much want to thank the witnesses for their excellent testimony.

I would like to bring up one particular point and get some reactions from the panel, if I may. That would be a particular grievance of mine that I have with the cargo preference program requirements of the Food for Peace Program, and now the blended credit programs. My understanding is that the current cost of the program is in excess of $100 million a year. That is to say, funds going from the Public Law appropriations end up directly subsidizing the American maritime industry. This subsidy is carried as a budget item for the U.S. Department of Agriculture and/or the AID Program, as opposed to maritime funding.

I wonder if the two of you might be able to tell me, first of all, whether the requirement for cargo preference has an effect upon not only the amount of food or unprocessed grains delivered, but also on the condition of the grains. Next, what can you tell me about the shipping, if anything, that moves those commodities or those processed food products?

I know this is not what you expected to hear.

Mr. SYKES. Obviously, the cargo preference is the law of the land currently, and it is a factor which, when you look at it, detracts from the quantitative and qualitative objectives of the legislation but, in its wisdom, Congress has included it within Public Law 480. We would be able to do more in terms of both the quantity of food delivered to these programs and improve additionally on the quality in many cases. Whether it's shifted to the maritime budget or the Department of Defense or whether the maritime fleets exist really to carry the Public Law 480 is a matter of speculation. I know this doesn't answer your question precisely, but we say there must be some interest in maintaining it in this account, and we are not ourselves certain as to why.

Mr. MCCLOSKEY. I am afraid I can't address this from any particular experience in my current capacity.

I can tell you, sir, that as an America Ambassador to two countries where there were very large shipping interests, I was a staunch defender of the 50-percent rule on behalf of the United States. I can perfectly see, however, that in my current position, I could well argue that maybe there ought to be some discretionary authority that would permit in cases of emergency, if American flags weren't there near the ports where the food would leave from, a foreign flag might be used.

I am afraid I can't address adequately the question of whether the quality would be equal on a foreign flag as on a American flag.

Mr. BEREUTER. Gentlemen, thank you.

This past week, we have been on recess, and it is a time when my family and I take an annual vacation. So I had a chance to do a little bit of reading. I looked at the OTA report that was prepared

for this committee, I imagine, to be released in January. I was planning to read the executive summary, and I read it all, the entire book, which is a rarity for me, because I was intrigued with what I found there.

There are three things I remember quite distinctly as being the key elements, as far as I was concerned. I would like to get the reaction as to whether your programs can or are addressing these elements. One, there was a continued emphasis on the counterproductive policies of African nations, especially agriculture production policies, and illustrations and statistical data were provided from international organizations. Two, it became quite clear that the population growth in Africa is the largest in the world, and it is a situation where even if agricultural production was maximized, still there would be existing food gaps in a listed number of African nations already, not accounting for further population growth. So we have a very significant problem in that respect. Third, apparently the only portion of Africa where significant agricultural production can be added is in equatorial Africa, four or five countries on the Atlantic side, and there we have two major inhibiting diseases affecting animals and humans about which we still don't have the answer, and certainly haven't had an eradication program.

My questions to you, therefore, are: One, to what extent can your organizations—or are your organizations able to provide leverage for changes in counterproductive domestic policy, including agricultural policy, of those nations? Two, what proportion of your programs are aimed at what we all might agree in this room would be politically acceptable, morally acceptable family planning programs? Three, to what extent can you address disease problems that are multinational in those parts of Africa that could help us increase food production? Can you provide any kind of assistance to me?

That will be my final question, Mr. Chairman, so as not to prolong this.

Mr. McCLOSKEY. I think that, in some cases, it is possible for private organization to bring some influence to bear on local governments where policies have been counterproductive, so far as the agricultural sector is concerned. I certainly wouldn't want to exaggerate the amount of influence. I can say—and we have said it on the public record a number of times, both in Congress and in outside publications—that some of the African governments are responsible for the aggravated problems they have with hungry people for these very reasons.

With respect to programs directed at family planning, this is a very delicate one for an agency named Catholic Relief Servces. We are perfectly aware that the burgeonong populations in Africa compound the problem. I would have to go back further into the history of this agency to give you a complete answer on the family planning question.

Mr. BEREUTER. Perhaps you would just like to provide it.

Mr. McCLOSKEY. If you would like, I would be happy to write a letter.

[The letter referred to above appears at the conclusion of the hearing see p. 76.]

Mr. McCLOSKEY. With respect to disease control, I find that there is a fair amount of competence in private agencies in these fields. There is a fair knowledge of what goes on. I don't know that we have particular programs in disease control, but it is something that certainly can be—I think there is the competence in the private agencies to address.

Mr. BEREUTER. I would hope that perhaps both your organizations might look at that particular element in that the OTA report if you haven't already.

Mr. SYKES. I don't think the PVO's philosophically, or in terms of the resources they bring to bear on the development problems are in a position to, nor would they want, to leverage reform. Many of the African countries have been adopting new food strategies in cooperation with the OECD countries. They have been reforming their own policies. Increasingly, people from the World Bank and IMF have been coming back and saying new policies are in place, very supportable policies.

The question arises as to how, through our small projects, do we support those new policies and those improved policies. We are in a much better position through our small minor irrigation, reforestation, and dune stabilization projects, to support these policies and to provide the necessary technical assistance to make some of these policies work.

Mr. BEREUTER. That still doesn't address inadequate payment for domestically produced crops or artificially controlled food prices for urban areas.

Mr. SYKES. I don't think it's the role of PVO's to bring to bear direct influence on these types of issues. The World Bank and IMF and larger government-to-government donors have this responsibility and they do sit down with recipient countries, and formulate food strategies. I think that may be the more appropriate place for that type of discussion. We are in a position to support those good policies that do attempt to reform and improve pricing, but indirectly.

With respect to your question on population, I always like to go back to the analogy of India, which has, along with Pakistan and other countries, reaped the benefits of the Green Revolution. A similar revolution has not come to pass in Africa yet. There is another school of thought that says that Africa is a vast continent with great resources that can absorb additional population. It will take some years, I think, before the international institutions that work on the high yielding varieties are able to put in place the technologies in Africa.

Mr. BEREUTER. Are you saying that that is still a popular conception? That, indeed, Africa can absorb very large additional populations.

Mr. SYKES. No. I say that potentially, in terms of square miles and population density, and in terms of the wealth of its resources, Africa is rich. I don't say it is popular conception, I say it is another school of thought.

Mr. BEREUTER. That is very interesting.

Mr. SYKES. There are obviously possibilities for Africa to increase substantially its resources. I think that when these agricultural

technologies are brought into place, there will eventually be this type of marked improvement.

With regard to disease control, we have not simply had that much experience in that particular area.

Mr. BEREUTER. Thank you.

Thank you, Mr. Chairman.

Mr. HALL [presiding]. If I may, I will ask one question. Dr. Wood, I understand, has to leave by 12.

The one question I want to ask of the two gentlemen is: If you were allowed a certain percentage of commodities for monetization how would you use the money?

Mr. MCCLOSKEY. We see its most effective use in water resource development, small entrepreneurial projects and enterprises, women-in-development, and perhaps small credit banks, rather than putting the emphasis on the use of that money to fund inland transportation costs, which is a critical need in most countries.

Mr. SYKES. Mr. Hall, we see clearly three categories, three distinct categories, in monetization where the cooperatives and PVO's already have experience. The first one is covering short-term emergency costs, partial monetization to offset those expenses necessary to accomplish the objectives of the program. That is in the emergency context.

The second one is the example of Bangladesh, of 100 percent monetization in the creation of a wage fund to cover the salaries of landless women. We think this is an excellent example of 100 percent monetization, which has both humanitarian and development objectives. Additionally, in that category, there are many ways to enhance both health and education infrastructure and programs using the proceeds to, for example, construct improved grain storage sites, to expand rural health clinics, and to bring to bear health education, and training particularly, of people in, for example, the GOBI applications of growth monitoring and improving child nutrition and immunization and things that are reflected in your bill.

The third example is the one which has been established by the cooperatives in India of supporting oil seed production, where 100 percent of the proceeds have been used to create primary cooperatives and to help in the processing and marketing, and increase ultimately the levels of oil seed production. Likewise the Land of Lakes project, also, has established subsidized agricultural credit for small holders in Jamaica.

Mr. HALL. Thank you very much for your testimony. I am sorry that we have taken so much of your time this morning, however, your testimony has been invaluable to us. Our members have really been busy with other committee hearings. We have a Rules Committee hearing going on right now. I had to go downstairs to testify on a project in my district. It has just been hectic today. In any event, we are very thankful for your coming.

Responses to Questions for Robert J. McCloskey

QUESTIONS SUBMITTED BY HON. TONY P. HALL

Question. Could you give the committee examples of what your organizations could do if you were allowed to monetize—or sell—a portion of the food assistance you receive?

Answer. We see the benefits of partial monetization of Public Law 480 title II commodities as advancing programs in agricultural extension, water management, basic health care, nutrition, education and small scale credit which we believe directly relate to development needs in the Third World.

To take the last illustration, CRS, in collaboration with the Ford Foundation, has developed and perfected a winnower-thresher machine to improve small scale agricultural production in Egypt. It is powered by a 10 h.p. diesel engine which can also be used to power an irrigation pump. Using money derived from the monetization of rice from EEC stocks, CRS has been able to put these machines into local manufacture. The moneys also provide a revolving credit fund to permit small farmers, who are excluded from existing credit systems, to purchase the machines on favorable terms. The potential of this project is illustrated in some simple statistics. In Egypt terms of credit normally require the holding of 5 acres of land or more. Yet 83 percent of the farmers own 5 acres or less and 50 percent own less than 2½ acres. The program, then, opens the possibility of new technology and an access to credit to put it to use previously unavailable.

As another example, about 2 years ago in Indonesia CRS, encouraged by AID, put together a monetized title II project tied to a mother-child health program. The funds realized would have provided related educational material, purchase of scales and the hiring of nutritionists. Now, AID says the project will be funded from health and nutrition moneys that are available. We believe the project could well serve as a model for monetization elsewhere.

In the brief period that title II monetization has been permitted, CRS has had limited but encouraging results. We support monetization not as a cure-all but as an opportunity to affect developmental enterprise together with feeding programs. We believe, as I stated in testimony that monetization should be approached carefully to allow time for local governments, PVO's and relevant U.S. Government agencies to evaluate its results.

Question. There is great concern about the possible misuse of monetization. What guidelines for the use of monetization do you believe would address these concerns?

Answer. Yes, there is concern about possible misuse of monetization. Some of the arguments, as I said in my testimony, we believe can become specious. We recognize a risk of creating dependencies and disincentives. These concerns can also be exaggerated. In our brief experience we have not seen evidence of disruptive effects on local markets nor that agencies become merchants of grain.

Obviously, there must be strict safeguards to account for the quantity of food to be monetized and accounting for the receipts generated. We believe that such regulations would be most effective if they were simple and straightforward and avoid the usual tendency to multiply paragraphs and subparagraphs of unnecessary bureaucratic requirements. They should apply usual marketing requirements (MMR's) in cases where the proposed monetizations are substantial and must take account of seasonality—local harvest and marketing cycles. We also believe the guidelines should stipulate that the amount of commodities available for monetization should not be deducted from the program allotment. The current draft monetization guidelines proposed by AID are, in our judgment, overly restrictive and lacking in sufficient flexibility, but they do take into account such factors.

In general, we strongly believe that the monetization concept needs to be tested on a wider scale and extend more broadly into regular programs. We believe that the current restrictions in those programs to purposes only related to MCH, food for work and school feeding programs should be extended to the variety of developmental activities we outlined above. We need also, as you know, to have guidelines generated for monetization of commodities under section 416 in order to make the existing legislative authority viable.

Responses to Questions for Charles L. Sykes

QUESTIONS SUBMITTED BY HON. TONY P. HALL

Question. Could you give the committee examples of what your organizations could do if you were allowed to monetize—sell—a portion of the food assistance you receive?

Answer. Mr. Hall, our organizations are already managing a variety of innovative development and humanitarian projects which owe their success to monetization—sales. For the committee's review, let me cite some examples.

A. *The Landless Women's Road Maintenance Project of the Bangladesh Integrated Rural Works Program.*—The objective of this project is to provide year round maintenance of unpaved roads which constitute the link or lifeline between rural villages and communities and the rest of the country. The perennial monsoon puts these roads in disrepair each year; by maintaining the roads year round—filling potholes, crowning and compacting—the damage is mitigated. Based on a successful pilot project, funded by the Dutch and managed by CARE, the Bangladesh Food and Relief and Rehabilitation Ministries and Canadian International Development Agency made available the proceeds from the monetization of Canadian wheat to CARE for the establishment of a wage fund to pay 31,000 landless women to maintain 5,400 miles of road year round. Proceeds from the sale also enabled CARE to purchase a specially designed simple hand tool for each woman to carry out this work. Bangladesh's local government union councils are responsible for planning and certifying that the work is done and CARE monitors the work sites and plans before the funds are released.

B. *Catholic Relief Services (Egypt) agricultural credit scheme for small farmers.*—CRS has been working on appropriate agricultural technology in Egypt for the past several years. They have designed a thresher, winnower and lift pump which all works off the same 10 h.p. motor. The European Common Market has made rice available for sale, with the proceeds being used to provide subsidized credit to small farmers and cooperatives wishing to purchase this equipment. The proceeds may also be used for the training of the farmers.

C. *India Cooperative League of the U.S. Oilseeds Cooperative Development Project.*—This CLUSA project aims to establish a broad cooperative based oilseeds production, processing and marketing structure in northwest India in cooperation with the national dairy development board of directors involving some 350,000 small farmers. India's serious deficit in edible oils makes this project critical to the country's drive toward food self-sufficiency. The project also reduces market dependency on what has been an oligarchical commodity structure. AID has provided over 100,000 metric tons of vegetable oil to capitalize this ambitious project which is now considered a model in agricultural development. A direct outcome of this project is a large commercial purchase of edible oil from the United States to stimulate further cooperative development of this sector.

D. *Emergency uses of monetization by Adventist Relief and Development Agency (ADRA) and Catholic Relief Services (CRS).*—Both ADRA and CRS have used monetization proceeds in Ghana to expedite the delivery of emergency food aid. The debt situation and insolvency of many of the famine affected countries has made it necessary for PVO's to monetize part of the food aid to cover internal distribution costs.

There are a wide variety of other constructive developmental uses of local currency proceeds from monetization—sales.

E. *In support of various maternal child health program components.*—In the reduction of infant mortality and morbidity, there are several components which can piggy back on title II supplemental feeding programs. As proposed in the Hall-Evans bill, one of the most important components is innoculation/vaccination. However, in the countries most in need of this type of assistance, hard currency is usually the limiting factor in purchasing vaccines and equipment required for the cold chain; local currency can certainly be used to train and pay indigenous health staff. Other maternal-child health components for which some local currency sales proceeds could be used are oral rehydration, health education, etc.—the self-help construction of rural clinics with simple kitchens and food storage arrangements.

F. During the period, 1969-75, PVO's made extensive use of section 204 funds—generated from the sale of title I commodities—for development purposes: Examples of projects included tubewell electrification, lift irrigation, tractor rental, housing reconstruction, grain and food storage, and the construction of food factories and day care centers. Such projects could be carried out with a specific monetization provision under title II.

Question. There is great concern about the possible misuse of monetization. What guidelines for the use of monetization do you believe would address these concerns?

Answer. I don't see much scope for misuse of monetization. Just as the PVO's have to account for every ton of title II food commodity, they would have to account for all sales proceeds in accordance with the agreed upon objective of a project. The proposal would have to have the endorsement of the PVO's headquarters and comply with rigorous accounting procedures. Additionally, the proposal would have to have the concurrence of AID and the host government. Such a system of checks

and balances makes misuse unlikely. A word should be said about calculating the price at which a commodity is sold. The value of a commodity is established by its worth at a given time in the recipient country. PVO's should obtain a letter from the AID mission or agricultural attaché and in some cases, local market authorities attesting that the price obtained was fair and reasonable.

Question. I understand that the operating reserve for the title II program has been decreased from 20 percent of the total program to 5 percent. Do you believe that an increase in the operating reserve is important?

Answer. There is no question that the operating reserve should be increased over its current 5 percent level, particularly for those countries with a sailing time in excess of 15 days. For example, all South Asian, African, and landlocked countries should have 15 to 20 percent operating reserves. In the case of Caribbean and Central American countries, a 5 to 10 percent operating reserve would be adequate. A more compelling argument for increasing the operating reserves is that it reduces the need for prepositioning. A 20 percent operating reserve would greatly reduce the scale of prepositioning because there would be sufficient commodities in transit or inventory at any given time to mitigate the need for prepositioning. From practical experience, I can say a larger operating reserve safeguards the programs from unnecessary disruptions due to shipping strikes, port congestion, etc. One can never back feed refugees, children and workers, either the food is there or it isn't.

Mr. HALL. We would like to hear from Dr. Christopher Wood, who is with the African Medical and Research Foundation.

STATEMENT OF MICHAEL GERBER, EXECUTIVE DIRECTOR, AFRICAN MEDICAL & RESEARCH FOUNDATION (AMREF)

Mr. GERBER. Mr. Chairman, my name is Mike Gerber, and I am the executive director of the AMREF. Dr. Wood is our medical director here from Nairobi. We thought it would be an excellent idea for him to address the committee. Unfortunately, he has another commitment and has to leave by noon. So I will stay behind to answer any questions that the committee members might have.

I am just going to make a brief opening statement to kind of set the stage for Dr. Wood's presentation.

AMREF appreciates the opportunity to appear before this committee and share some of our experience with the members. We are especially appreciative because AMREF is not a food agency, we are a health agency, and this morning has been an enlightening and an educational experience for us.

With this as a giver in the brief time alloted, we will attempt to do the following: one, state briefly what AMREF is; describe what AMREF has recently done to integrate immunization and MCH services with the feeding program in Kenya; state what we feel still needs to be accomplished in the integration and immunization programs in Kenya; and comment on what resources are needed to effect integration.

Because of time constraints this morning, our presentation and projections reflect one specific project in Kenya and a potential target area in the same country. We feel, however, that our limited experiences with integration would definitely have application elsewhere.

AMREF is a private voluntary organization that has been carrying out health programs in east Africa since 1957. We are a professional health agency implementing 40 projects in Kenya, Tanzania, Sudan, Uganda, and Somalia. AMREF has also undertaken health programs in Ethiopia, Malawi, and Zambia. Our emphasis has been on long-term health development.

Because of severe drought conditions in Kenya for the past year, AMREF's mobile medical team has been involved in setting up 20 feeding centers specifically in Masailand and Kibwezi. Our mobile unit's primary responsibility had been immunization of children under 5, immunization of school-age children and other MCH activities.

AMREF's involvement with food and the coordination of feeding and nutritional supplements with immunizations is possibly somewhat different from the examples of other organizations. As a health agency, we were already doing immunizations and are capable of carrying out an immunization service in difficult to reach areas. We, therefore, introduced feeding into an ongoing health program rather then the more typical situation of coordinating health services with an established feeding program. Perhaps the implications of this case might be examined more closely for future efforts in integration.

AMREF's recent famine support involves supplementary feeding of 30,000 under-fives and their families. Health services involve both medical surveillance and immunizations. Our emphasis has been on nomadic and seminomadic people in remote areas, groups especially vulnerable to recurrent famine and infection.

In reflecting on 28 years of health experience and our recent involvement in feeding programs, AMREF's staff feels there is a definite need for the development, in Kenya especially, of a large-scale comprehensive mobile nutritional and immunization service. Our own assessment has been reinforced through discussions with the ministry of health personnel responsible for Kenya's expanded program on immunization. The primary area identified for an integrated effort is the northern part of the country.

Here with me today, as I mentioned, is AMREF's medical director, Dr. Christopher Wood, who is based at our operational headquarters in Nairobi. Dr. Wood has spent almost 25 years in east Africa. He lived for 10 years in Tanzania and was instrumental in the development of the Medical School and Department of Community Medicine at Dar es Salaam. He joined AMREF in the early 1970's. Having worked with many of the key people in the ministries of health from Ethiopia to Malawi, Chris knows as much or more about health problems in east Africa than most.

I will ask Dr. Wood to comment on what we feel needs to be done in Kenya relative to a larger scale integration and immunization and feeding programs, and to outline what resources might be needed for such a program.

STATEMENT OF CHRISTOPHER WOOD, M.D., MEDICAL DIRECTOR, AFRICAN MEDICAL & RESEARCH FOUNDATION (AMREF)

Dr. WOOD. Mr. Chairman, I am delighted to be here. I am actually on vacation in your country, and I am privileged to come here.

There are a few comments I have been asked to make specifically as to relation of feeding programs with other health programs.

Those who are involved in long-term development are anxious that the maximum benefit, long-term benefit, is obtained from the current emergency plans that are going on. It is very encouraging, it is exciting, but also worrying to see how the world was woken

up, as a result of our present crisis, to problems which have a much longer origin and whose solution will not be quick. With any program, it is important to increase the Third World countries' ability to deal with the problems themselves that we have got to aim at.

I would like to start first with the need for surveillance of the problems. What has happened in the crisis with nutrition now has been foreseeable for quite a long time. We need a better method of surveillance, and we need the ability to respond. There is no point in making a quick diagnosis if, in fact, one is not able to follow up with treatment.

There is an enormous advantage in starting early. In Kenya, when we could look to the north to see what was happening in Ethiopia, we did start our feeding programs much earlier. In looking after 30,000 children, we have had reporters and photographers coming from Ethiopia and they look around and say, well, what are you doing here? Because, in fact, we have a very large preventive situation that has not occurred further north. And with the rains that we had at the end of last year, the situation is now better and getting better still. Crops have grown. The difficulty is for the people whose cattle have died, and it is thought that up to 50 percent of the cattle in Kenya died during last year.

I was asked to mention particularly the importance of integration of other health programs with feeding. I think integration is a very important principle. It causes much less confusion among the recipients. If different teams of people with different aims are always going, and one person is proposing this and another is proposing that, it leads to considerable confusion.

It is also much more cost effective to do things together. There is less traveling. So if you do get families or individuals coming to a place for one service, it is important to provide as many as possible. We call this the supermarket approach. We have grown out of going to the bakery and the grocery and the butcher. When you go to a health facility, you want to be able to get your curative treatment, your preventive treatment, and you want your prenatal care and you want your family planning services all in a supermarket approach to maternal and child health.

If you do have a feeding program, it is, therefore, very important to piggyback as much other health care on that program as one can. However, with immunization in particular, immunization is a long-term program and needs universal coverage. A lot of feeding programs are intermittent and localized, and it would be wrong to base a national expanded program of immunization, an EPI program, on an emergency feeding program. That would be no substitute for properly planned EPI. But it would be a valuable boost to a long-term plan, and that is what we are doing. We are using the emergency feeding programs as an opportunity to supplement the immunization programs with a mass program for that area.

I just wanted to say that this is not a very difficult or expensive addition. It does need a certain amount of equipment. You need base refigerators, you need cold boxes, you need syringes and needles. You do not need a lot of sophisticated equipment, which all too often breaks down in remote places. It is much better to stick to the simpler equipment. You do need a steady supply of vaccine

and of fuel to maintain the refrigerators, and you need a certain amount of trained staff. A nurse by herself or a medical assistant can be added to a feeding program, and can have a major effect on increasing the immunity in the neighborhood. This is not going into the interrelationship between malnutrition and infection. This is part of a vicious circle.

So that we do believe that the feeding program should be used as much as possible to develop long-term health programs. Dr. Gerber has described and we have details of the sort of program that we would, as one agency, undertake in one area. We have got the costings of the northern frontier part of the northeastern region of Kenya, which has about three-quarters of a million people. We can show you what it would cost to continue the feeding programs and to add immunization to it.

Thank you.

Mr. HALL. Thank you, Dr. Wood.

Did you have to leave at 12?

Dr. WOOD. Within a few minutes. But any meager questions, I am happy to stay to answer.

Mr. HALL. You answered some of the questions that I had in mind concerning the coordination of primary health care and immunization with feeding programs. You basically support them and have participated in them and believe that they are, as I understand it, cost effective, because it brings a lot of people together for other purposes such as feeding, and you are able to immunize a lot of children and adults at one place rather than going all over the country.

This committee, as you may or may not know, is very much in favor of that, and we have passed legislation dealing with primary health care last year. One of the bills that we have this year, of which I am a sponsor, has as one of its goals to immunize 3 million children by 1987 by using, among other things, our food distribution program. Is that a—it is worthwhile target, I don't have to ask that question, but is that doable?

Dr. WOOD. It is most certainly worthwhile. I do not think that the additional time and expense and staff required doing it—if you have a feeding program, it is not very difficult to add the immunization to it. And if your feeding programs are counting that number of people, which I imagine very much that they are—unfortunately, the need for feeding programs in Africa are going to go on this year—I would not think that is an unreasonable target. In fact, I think it would be quite a small target, if you were able to encourage all those doing feeding programs to add immunization to it.

Mr. HALL. What is the basic cost for immunizing children in northern Kenya? Have you got it down per child? What is the basic cost for immunizing a child?

Mr. GERBER. We costed out a proposed program that would cover a fairly extensive region in the northeastern part of the country. I would be very happy to provide this to the committee. We apologize for not having written testimony. We were asked to come before the committee only a few days ago. But we have promised to provide you with some written testimony very shortly. And I will pro-

vide you with some specific figures over a 5-year period covering a target population of about 750,000 people.

[The prepared statement of Mr. Gerber and Dr. Wood appears at the conclusion of the hearing, see p. 76.]

Mr. GERBER. Roughly, we calculate both capital costs and recurrent costs to be somewhere in the range of about $2.5 million for an immunization program that could piggyback onto a feeding program. That would not take into consideration the actual cost of the food, which we assume would continue to come in through channels in which it has been distributed in the past. As I said, we are not basically a food organization, so I can't give you specific details on the food cost. But on the immunization cost, it would be about $2.5 million over a 5-year period.

Mr. HALL. When you immunize a child in northern Kenya, what do you immunize the child against?

Dr. WOOD. The Kenya program covers six diseases. It covers TB, polio, measles, diptheria, whooping cough, and tetanus.

Mr. HALL. Is this done through one shot?

Dr. WOOD. No. The TB is given by itself as one shot. The polio is given by mouth on two and occasionally three doses. The measles is given as one separate shot by itself. And then the diptheria, whooping cough, and tetanus is another. So there are four different vaccines, two one-shot vaccines and one three-shot vaccines, and one by mouth. So it does require a number of visits. You can't do it all at once. A person has to come back again.

But in an emergency situation, it may be better to do less than an optimal schedule if you do get the opportunity to see the people who need it.

Mr. HALL. I think you have really responded to some of the things we had on our minds. It is nice to know that you are in Africa doing these kinds of things and reinforcing us who are not in the field that we—at least in a couple of instances—are on the right track.

Thank you very much for coming in particularly during your vacation. That was very nice of you.

Dr. WOOD. Thank you for having us.

RESPONSE TO QUESTION FOR CHRISTOPHER WOOD, M.D.

QUESTION SUBMITTED BY HON. MICKEY LELAND

Question. What kind of assistance do agencies currently operating food distribution programs need to expand immunization activities?

Answer. They need some trained clinical staff, basically a medical assistant and nurse. There are also equipment needs; namely, a base refrigerator and some cold boxes, syringes, and needles. There is a need for fuel to run the refrigerators and a steady supply of vaccines. None of the equipment need be sophisticated and there are low-cost, low-maintenance products available.

Mr. HALL. I have just been informed that we have to be out of this room by 12:30. We are going to bring the next two witnesses up here together, if they don't mind. They may both give their testimony, and then I will ask a few questions.

We have Glen Tussey from the American Farm Bureau Federation. Mr. Tussey is the associate director for the Farm Bureau's Washington office. He will discuss farm interest in Public Law 480 Food for Peace Program and section 416.

We also have Dr. Hannan Ezekiel from the International Food Policy Research Institute. Dr. Ezekiel will discuss international food aid, its importance to the developing countries, and the possible disincentives for local food production in recipient countries.

Welcome, and thank you.

STATEMENT OF HANNAN EZEKIEL, RESEARCH FELLOW, INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE

Mr. EZEKIEL. Mr. Chairman, I have a written statement which I submit for the record. I would like, therefore, now to make a brief oral statement.

I would like to point out first that food aid made a very powerful contribution to the development of some countries in the past. Despite considerable criticism at the time, these countries are now in what could be called a good position. Now that attention has been turned to sub-Saharan Africa, such criticisms are resurfacing, as shown in part by the testimony earlier during the day. The Asian experience shows that results take time to be achieved and that some of the criticisms that are made of food aid, in fact, turn out to be invalid after an adequate period of time has passed and the effects can be seen.

In Africa, emergency aid is becoming very important. This should not, however, in my view, shift attention from the need for food aid for developmental purposes, as distinct from disaster alleviation and disaster preparedness. This will require more food aid so that developmental food aid is not reduced in the context of considerable emergency situations.

It should be emphasized that, although conditions in Africa are different from those in Asia, many of the lessons from the Asia experience apply to Africa, and some of the weaknesses of earlier programs in Asian countries can now be avoided.

There is need for integration of food aid of this kind, developmental food aid into other aid, and into the recipent country's own developmental efforts. There is, of course, need for appropriate policy changes on the part of the recipient country, but these are, in fact, possible when you are providing sufficient aid over a period of time. In this context, I would like to emphasize the need for multi-year programming, which I think makes it possible to ensure that projects are planned and developed in such a fashion that they really have an impact. Domestic policies certainly must be appropriate—for example, regarding prices.

I would like to make two points now. Concentration on food aid on sub-Saharan Africa may result, I am afraid, in a possible reduction in aid to Asia. In my view, poverty and hunger continue in Asia. They continue to exist even in those countries that have achieved self-sufficiency, because this self-sufficiency is in relation not to need, but in relation to demand. What has gone wrong in those countries is, of course, that their rapid growth in food production has not been accompanied by an equally rapid growth in incomes. Poverty, therefore, continues to exist. The population at risk in Asia now is actually much larger than in Africa, in spite of the concentration that is found in the media on Africa.

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If programs are to be effective, they must be put on a multiyear basis. It is essential for food aid to be organized, and projects must be planned and integrated together.

Having said this in relation to the testimony I have given, I would like to make three points arising from the discussion this morning.

First, I would like to make a point about food production trends in Africa. It is true, as was stated earlier, that per-capita food production is falling in Africa. However, this is not because food production as such is falling. On the contrary, it is rising at around 1 to 1.5 percent per annum, which is a fairly good rate for a country to achieve without special effort. What has happened is that the population is rising rapidly, as was pointed out, and, in some cases, at over 3 percent per annum. If efforts on the population side do not succeed, this means that the rate of growth of food production has to be shifted up from 1 to 1.5 to almost 3 to 3.5 percent per annum, and this seems a very difficult task. Nevertheless, if it is to be achieved, aid can assist that effort, but it will take time, heavy investment, and the right food policies.

The second point which I would like to make is about the concern that was expressed about displacement of commercial demand. In this context, I would like to suggest that this committee and the Department of Agriculture should be deeply interested in the working of the IMF cereal import financing scheme. It is due to be reviewed in early May by the IMF. Liberalization of that scheme and appropriate financing of that IMF scheme by cereal exporters would help in the strengthening of the commercial demand for food in at least those countries that are willing to obtain financing rather than assistance to obtain the food they need. This is extremely important because the IMF scheme is being reviewed, as I said, in early May, and will otherwise lapse on the 13th of that month. I have prepared out a detailed study of this particular scheme, and that is why I mention it at this point, although it is not central in a sense to Public Law 480.

Finally, I would like to say very quickly on the disincentive subject that food aid does not function as a disincentive if the total amount of food aid forms a small proportion of total food consumption, is provided at the right time—seasonally—is matched by increasing demand, which it is if the schemes are of the right type, and has a developmental effect which raises employment income and the demand for food over time. This is the way in which it has, in fact, operated in most developing countries in which we have a sufficient period of experience.

Thank you.

Chairman LELAND. Thank you, Dr. Ezekiel.

[The prepared statement of Mr. Ezekiel appears at the conclusion of the hearing, see p. 79.]

Chairman LELAND. Mr. Tussey.

STATEMENT OF W. GLENN TUSSEY, ASSOCIATE DIRECTOR, WASHINGTON OFFICE, AMERICAN FARM BUREAU FEDERATION

Mr. TUSSEY. Thank you, Mr. Chairman.

In the interest of time, I would like to have my full statement placed in the record, and I will just emphasize three or four points.

Among the points that I would like to emphasize is the need for stronger Food Assistance Programs, multiyear funding, monetization of some certain portion of food aid, and a bit about the cargo preference requirements.

First, I would like to say that my organization, the American Farm Bureau Federation, has been very supportive of Food Assistance Programs from the inception of Public Law 480 in 1954. We were very pleased last year when the 30th anniversary of Public Law 480 was commemorated here in Washington, and we were impressed with some of the figures that were used at that time by various speakers and various participants. We were interested in, for example, that about 40 billion dollars' worth of food assistance had been utilized during the life of that program. There is certainly a need for a stronger Public Law 480 Program, and we support such efforts.

The president of the American Farm Bureau Federation, Mr. Delano, served in 1983 on the Carlucci Commission, which made a study of various forms of assistance, including food assistance. One of the things that sort of grabbed our attention during the course of that commission's deliberations was the fact that, while other forms of international cooperation or foreign cooperation have grown tremendously, the food assistance effort has not grown nearly as rapidly.

For example, some of the materials—and this is pointed out in my statement—in some of the materials that were presented before the Carlucci Commission, it was pointed out that if you use 1968 to 1972 as the base years, foreign cooperation by the United States with other countries, including economic assistance, military assistance and food assistance, that cooperation has increased about 97 percent. In other words, in 1983, it is 97 percent higher at the time the Carlucci Commission was studying it. It was 97 percent higher than it had been for the 1968 to 1972 period. But for food assistance, the increase was only about 13 percent. That is quite a disparity and quite a lag in the growth in food assistance. At that time, Mr. Delano, the president of the Farm Bureau, emphasized in the commission that food assistance should be increased. He suggested that the increase be on the order of 25 percent.

Since then, we have also suggested minimum tonnages, and we support some of the legislation that would emphasize minimum tonnages. As a matter of fact, in the Farm Bureau proposal that we have come up with in discussions of the 1985 farm bill, we proposed a stronger Public Law 480 Program, including an increase in minimum tonnages.

Regarding multiyear funding, going back again to the Carlucci Commission, we recommended then that we move to multiyear funding. It makes a great deal of sense. This has been acknowledged here by other speakers this morning.

Regarding monetization, we have no problem with that. We think if it is used prudently and carefully, it can be done without a disincentive. We would be very concerned if it was used as a disincentive for production in other countries. We have been a member of an organization called the International Federation of Agricul-

tural Producers, and we have had expressed some concern on the part of farmers in other countries who tell us, please don't displace our argiculture with your surplus products. But we think that those problems can be overcome and that monetization, of a portion certainly, of food aid commodities is logical and can be handled quite nicely without bad things happening.

I would like to mention one other point, and that is in relation to cargo preference. That has been mentioned here this morning. We think in our organization that this has been a burden on the Food Assistance Program. Earlier I mentioned the figure of 40 billion dollars' worth of food assistance since Public Law 480 began. Well, it just happens that the Cargo Preference Act began that same year. The cost, the added cost, of that program has been on the order of $1.6 billion that has gone to pay ocean freight subsidies to transport this food. We feel that some other way can be found to have a strong merchant marine or a strong maritime industry without saddling our Food Assistance Programs and our other food export programs with cargo preference requirements.

I think it has been mentioned here this morning that just to move title I of Public Law 480 shipments, you have to utilize about $100 million a year. In other words, that is $100 million in added costs to our title I of Public Law 480 Program. I think that last year our Department of Agriculture determined that to the added cost of cargo preference to title II donations was about $20 million, and it is running at a more rapid rate than that this year.

So we feel that there are other ways of having a strong maritime industry without saddling food export programs—whether it is the Food for Peace Program, or whether it is the Commercial Credit Programs—without saddling them with cargo preference requirements. We will support legislation and are supporting legislation—Congressman Bereuter has a bill—based on a recommendation a national export commission which was recently made, and that recommendation was that agricultural exports should be exempted from the cargo preference requirements. We support Congressman Bereuter's bill, and we support similar legislation over on the Senate side.

So these are some of my thoughts that I would like to add to the remarks that are in my prepared statement.

Thank you very much, Mr. Chairman.

Chairman LELAND. Thank you very much, Mr. Tussey.

RESPONSES TO QUESTIONS FOR GLEN TUSSEY

QUESTIONS SUBMITTED BY HON. MICKEY LELAND

Question. The U.S. Government is holding large surpluses of agricultural commodities, mainly wheat, corn, rice, sorghum, and nonfat dry milk. How do these surpluses affect the American farmer?

Answer. The large surpluses of agricultural commodities, including wheat, corn, rice, sorghum, and nonfat dry milk, have an adverse affect on market prices for American farmers. Even though some of these commodities are held in so-called farmer-held reserves, every exporter and dealer of farm commodities in the country know of their existence, and they know that eventually they will have to come out of storage.

Farm Bureau believes that these huge surpluses overhang the market and help depress market prices. We believe that more of these surpluses should be moved into food assistance programs as well as in other innovative export programs. We

have addressed this matter in a legislative proposal which would establish higher minimum tonnages for food assistance programs of Public Law 480. This legislative proposal has been introduced by Senator McConnell, S. 908, and by Congressman Emerson, H.R. 1965. We will support other bills which would strengthen Public Law 480 assistance programs.

Question. What is your opinion of expanding the section 416 authority to include all surplus agricultural commodities?

Answer. We would favor expanding section 416 authority to include all surplus agricultural commodities. We believe that this provision can be utilized effectively on a number of surplus agricultural commodities as well as for dairy products.

QUESTION SUBMITTED BY HON. TONY P. HALL

Question. As you had mentioned in your testimony, there is a great need to expand our agricultural export markets. What types of changes to the Public Law 480 title I program would you recommed to address this concern?

Answer. As indicated in our testimony, Farm Bureau would favor a stronger food assistance program including multiyear funding, monetization of certain portions of food aid, higher minimum tonnages and exemption of all food assistance programs from cargo preference requirements. This requirement alone has added $1.6 billion to the cost of the Public Law 480 program since its inception. This money could have been used to feed many more hungry people.

We believe that these changes in Public Law 480 would greatly strengthen our food assistance programs and would serve a multiple objective of not only feeding hungry people but would also help alleviate some of the economic problems now facing American farmers.

QUESTIONS SUBMITTED BY HON. BENJAMIN A. GILMAN

Question. What do you say to the argument that subsidies for U.S. exports would only lead to a subsidy war, without significantly increasing U.S. farm sales abroad?

Answer. An outstanding agricultural economist recently stated that the cheapest way for a country to dispose of its surplus agricultural commodities is through export subsidies, provided other countries allow them to get away with it. This is precisely what the European Community (EC) has been doing, and we have been letting them get away with it.

We must not permit this to continue. We must prevent the erosion of our markets and regain some of those which have already been captured through the use of export subsidies by using innovative programs such as an export bonus program to regain those markets. The EC cannot validly claim that we are starting a trade war as we target certain markets where we have lost market share if we do not take more than an equitable share of those markets. The GATT regulations permit the use of export subsidies as long as they do not result in more than an equitable share of the market for those who are employing the subsidies.

Question. Since Public Law 480 is an expensive way to dispose of U.S. commodities abroad, especially with the extra costs due to ocean and inland transportation and other handling expenses, do you believe it is more cost-effective than spending this amount of money on domestic farm assistance or helping to reduce the Federal budget? If so, why?

Answer. When the alternative to exports of Public Law 480 are looked at, such as expensive storage of commodities and their possible deterioration over a period of time, the Public Law 480 program does not look so expensive. This is especially true if we were to exempt all food assistance programs from cargo preference requirements.

Cargo preference requirements add on the average $25 per ton in additional cost to the food assistance that we furnish hungry people around the world. Another means of supporting the maritime industry must be found. Farm Bureau supports the recommendation made earlier by the Agricultural Trade and Export Policy Commission to "exempt all agricultural exports from cargo preference requirements."

Farm Bureau believes that strong export programs are more effective than spending funds on huge domestic farm programs such as the Payment-in-Kind Program, which cost millions of dollars but was only partially effective in reducing world surpluses. As American farmers cut back production, farmers in other countries increased their production. With export programs, we are able to satisfy multiple objectives such as feeding hungry people and at the same time provide an opportunity for improvement in the serious income situation faced by American farmers.

Question. What is your opinion about reducing the grain production of American farmers, since obviously they are producing more than can be sold in markets today? Why should that be done or not done? And if so, how?

Answer. The situation now affecting world agriculture requires consideration of both reduction in output as well as the need to increase the effective demand for grain and other agricultural products. There are two sides to the equation—the production side and the export side—as it relates to American farmers.

American farmers are a bit tired of taking all of the world's agricultural production adjustments. During the PIK Program, 80,000 acres of American farmland was taken out of production. Competing export countries increased their production by 40 million acres. Therefore, the expensive PIK Program was effective only partially because of this offsetting increase in the production of other countries. Farm Bureau is pushing for stronger export programs to regain some of the markets that have been captured by other countries, not because they are more efficient than U.S. farmers, but rather because they frequently employ export subsidies to take an ever increasing share of world markets. The EC and Brazil are those countries making the greatest use of export subsidies to move their agricultural products into world markets to capture markets from American farmers and those of other nations.

[The prepared statement of Mr. Tussey appears at the conclusion of the hearing, see p. 81.]

Chairman LELAND. I am going to ask a couple of quick questions, and then beg your forgiveness for our having to leave this committee room. There is another committee meeting immediately following us in this same room, so we are going to have to vacate soon. But I will ask, without objection, that the record be open for your further responses to questions that I will submit to you in writing, as well as the gentleman from New York, Mr. Gilman.

Dr. Ezekiel, what guidelines which are necessary to govern potential increases in food donation programs?

Mr. EZEKIEL. May I hear that again, please?

Chairman LELAND. What guidelines are necessary to govern potential increases in food donation programs?

Mr. EZEKIEL. I assume, Mr. Chairman, that you are asking me what guidelines the donors should follow in providing this assistance. If that is so, my response would be that they should be trying to achieve a developmental effect, while avoiding intervening disincentive effects. Food aid in itself is neither good nor bad. It can be made good or bad depending on the use that is made of it and—apart from emergency aid, I am talking about other aid—if aid is devised in such a way as to integrate into the country's developmental program, and the assets created are such as to be productive, and if in the process demand is created so that additional supply of food does not have a disincentive effect, then that food aid will, in fact, be good.

Chairman LELAND. Given these conditions, do you support both increasing minimum tonnages of food aid and providing multiyear commitments of food aid levels?

Mr. EZEKIEL. Yes, I do.

Chairman LELAND. Mr. Tussey, the U.S. Government is holding large surpluses of argicultural commodities, mainly wheat, corn, rice, sorghum, and non-fat dry milk. How do these large surpluses affect the American farmer?

Mr. TUSSEY. We think that those large surpluses put a damper on the market for the farmer. We think that even the ones that are said to be locked up in the farmer-held reserve, everybody knows that they are there, and they have a dampening effect on

prices. This is one of the reasons, in addition to the humanitarian aspects of it, we feel that a stronger food assistance program where we would move more of these commodities would be beneficial not only in satisfying humanitarian wishes and desires, but be helpful in the export of American farm products.

Chairman LELAND. What is your opinion of the expansion of the section 416 authority for our overseas donations of wheat and dairy products?

Mr. TUSSEY. We would like to see it expanded. We don't advocate that the products be pushed out so rapidly that we swamp somebody with our products, or we send something to someone that they don't have a taste for or don't want, but we think that there is enough hunger in the world and there are enough malnourished people, that there is room for substantial increase in our food assistance programs.

Chairman LELAND. You feel as strongly about this as we do, it seems.

Mr. TUSSEY. Yes, we do.

Chairman LELAND. Dr. Ezekiel, how long should a food aid agreement be in existence for it to be most effective?

Mr. EZEKIEL. This would depend on the program of development that is evolved. In most countries, I think, this is in terms of 4 or 5 years at a time to plan ahead and maybe as long as 20. Within the 5-year period, it would be possible to devise projects and programs. I do not mean that the 5-year program should terminate at the end of 5 years. We can have a moving 5-year period and you can then see how it was.

Chairman LELAND. How can food aid become more developmental, especially in sub-Saharan Africa?

Mr. EZEKIEL. It can become more developmental by trying to look at the sources, the reasons for, the disasters that face sub-Saharan Africa at the present time, and trying to deal with them in a preventive manner. Specifically, for example, taking areas where there is drought, and making an assessment of local water resources, of the reasons for that water not becoming available. In addition, programs aimed at ensuring minimum supplies of water would be, for example, capable of preventing the kinds of disasters that have happened. It would, of course, at the same time, raise income.

Chairman LELAND. Very good.

Thank you very much, both of you. We appreciate your contributions.

Mr. TUSSEY. Thank you, Mr. Chairman.

Mr. EZEKIEL. Thank you.

RESPONSES TO QUESTIONS FOR HANNAN EZEKIEL

QUESTION SUBMITTED BY HON. MICKEY LELAND

Question. What guidelines would you recommend for ensuring that monetization of food aid meets its stated goal of improving the developmental impact of food aid programs?

Answer. Monetization of food aid may have two purposes: (a) To cover the costs of delivering food aid, (b) to cover the costs of complementary items or services needed to make the program or project supported by food aid more effective.

There is some understanding of the first purpose but not yet enough of the second, though it is at least as important as the first. Some examples of complementary items or services whose costs need to be covered are culverts or bridges for rural roads, cement to strengthen the critical portions of earthwork bunds or small dams, polyethylene sheeting for lining canals or tanks, and tools such as hammers and shovels required to carry out tasks. Expenditure on proper design and engineering of projects to make them efficient may also be required. Supervisory staff and skilled workers such as carpenters may have to be paid in cash.

Monetization of food aid is achieved through sale in the open market of some part of the food provided as aid, with the local currencies generated by such sales being used to cover both types of costs.

The guidelines for ensuring that monetization of food aid meets its stated goals for improving the developmental impact of food aid programs can be considered under two heads:

(A) Guidelines related to the purposes of monetization.

(B) Guidelines related to the prevention of adverse effects from monetization on food production.

(A) In relation to the purposes of monetization, as much monetization should be carried out as is necessary to achieve its purposes, that is, efficient delivery of food aid and maximum effectiveness of the program or project for which it is provided.

(B) In relation to the possible effects of monetization on food production, food sales must be made.—(1) at the right times—pre-harvest, (2) at the right places—pockets in which food prices are excessive, (3) at the right prices—not lower than market prices unless the latter reflect acute scarcity conditions and the sales are intended to bring the high prices down or are directed at disadvantaged or vulnerable groups, and (4) in support of the right programs and projects aimed at: (a) Building of storage capacity for a domestic food stock-building program, (b) improving distribution of farm inputs and marketing of farm outputs, (c) increasing the employment and income of the rural poor, and (d) generally raising the rate of growth of income and hence the rate of growth of demand for food.

Subject to these guidelines, food sales for monetization of food aid may be freely carried out in countries in which aggregate food supply is inadequate in relation to effective demand. However, in countries in which aggregate food supply is adequate in relation to effective demand—though it is still inadequate in relation to need—such food sales must be carried out (i) with extreme caution, and (ii) with strong emphasis on selection of proper programs and projects as indicated in item B(4) of the above guidelines.

QUESTION SUBMITTED BY HON. BENJAMIN A. GILMAN

Question. Do you think the nonemergency food donation programs now being carried out in developing countries are having disincentive effects for the local farmer? If so, to what extent is this happening? How can we be sure that we are not causing any disincentives? If external food aid programs are not causing disincentives now, how much can the volume of such food aid be increased before we run into the danger of disincentives?

Answer. The nonemergency food donation programs now being carried out in developing countries are not, for the most part, having disincentive effects for the local farmer. This is because in general such nonemergency food donation programs provide food to countries in which there is a shortage of food relative to the demand for it. Even, however, where the existing food supply is more or less adequate relative to demand, it is still usually inadequate in relation to need. In other words, there are people who do not have the income to buy the food they need. In such cases, food donations would not have a disincentive effect for the local farmer if they support feeding and food-for-work programs or projects so that additional demand for food is created that is approximately equal to the addition to the supply.

In answering this question, it has to be kept in mind that it is difficult to disentangle the effects of various factors on food production. Powerful disincentive effects on local farmers may be produced by the government's price and exchange rate policies. These should not be ascribed to the food donation programs, which operate equally well with good and bad policies in these respects. Adverse effects on food production are also produced by poor availability and high prices of needed inputs such as fertilizers and by an inadequate physical infrastructure. Finally, the absence of a suitable improved technology package or the failure to transfer this properly to the farmer through extension services is an extremely important reason for the slow growth in food production in most of the countries concerned. Food donation programs can help in bringing about improvements in all these areas and thus

help to stimulate food production. Also, in the meantime, they can help to preserve some equity in a development process that is bound to take time to achieve results.

This is not to say that nonemergency food donation programs do not produce any disincentive effects at all. It is possible that there may be some reduction in commercial food purchases by those receiving donated food under feeding and food-for-work programs. If total market supply remains below market demand after such adjustment, no serious adverse effect on the farmer is produced. Otherwise, there may be some adverse effect, which is difficult to quantify. To the extent, however, that the food donation programs produce the other effects stimulating food production that have been described above, the net overall effect is likely still to be strongly favourable. It is clear in any case that the strength of this net favourable effect would depend on how carefully the programs and projects have been chosen and on how far dialogues with recipient governments are successful in inducing them to modify their food-related policies.

It is of course important to ensure that any direct disincentive effects of food donation programs are as small as possible. Some of the guidelines for monetization of food aid set out in answer to Congressman Mickey Leland's question are applicable in this connection in the wider context of food donation programs in general.

Food donation programs now being carried out in developing countries do not have widespread disincentive effects for local farmers. Some direct disincentive effects may be produced in a few cases, but these may be unimportant relative to other disincentives produced by government policies and by the environment. Besides, the direct disincentive effects may be more than offset by the stimulus to production that is produced by properly designed food-donation programs and projects.

Excluding any exceptional cases, properly designed food donation programs and projects tend to produce a favourable rather than unfavourable effect on food production. This is strengthened if it is combined with other aid and local and foreign investment resources in an integrated program for increasing food production and income so as to increase the demand for food at the same time.

In most recipient countries, the amount of food aid is inadequate if it is considered in terms of such a program. It can be raised substantially provided it is made available for such an integrated program of development on a country by country basis. There is of course a limit to the amount of nonemergency food donations that a country can receive. This is equal to the country's total need for food less its own food production. The country's capacity to absorb food donations is, however, much lower than this. It is determined by its own administrative infrastructure and capacity to devise and administer the necessary programs and projects, while making appropriate changes in domestic policies.

The point is that total nonemergency food aid is quite inadequate in relation to the capacity of recipient countries to absorb such aid even at the present time. This capacity itself tends to grow if nonemergency food aid is increased and is made available on a multi-year basis.

Nonemergency food aid can therefore be increased manifold if these considerations are kept in mind. It is only if this is done on a systematic and long-term basis that it will be possible to obtain a proper fix on the limits to which it can be pushed with favourable effects in different countries.

Chairman LELAND. The purpose for which this committee meeting was called having been served, the committee will now stand adjourned. Thank you very much.

[Whereupon, at 12:25 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

PREPARED STATEMENT OF HON. COOPER EVANS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Thank you Mr. Chairman. Mr. Chairman, I would like to take this opportunity to thank you for calling this hearing today on issues surrounding the reauthorization of Public Law 480, the Emergency Wheat Reserve, and section 416. It is a very timely subject not only from the view-point of our Congressional work but also because of the current famine in Africa and the public attention that has been focused on the U.S. efforts in famine relief programs because of that famine.

There is no doubt in my mind that reauthorization of these program could not come at a more opportune time. The current massive efforts of the U.S. Government in famine relief and food aid around the world shed new light on the laws governing these programs. These efforts also raise many questions as to the appropriateness and effectiveness of our programs.

It is my hope today that this committee—due to its unique position as a select committee and able to draw together the diverse interests of various permanent committees of the House—will hear testimony from our witnesses and the various groups who will submit statements which will allow the Congress to gain new perspectives and insights into our efforts in this area, and the ways in which we should change these laws to address future needs and requirements in meeting our responsibilities in these areas.

PREPARED STATEMENT OF HON. TONY P. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO AND CHAIRMAN, INTERNATIONAL TASK FORCE, SELECT COMMITTEE ON HUNGER

I am pleased to be here today to discuss international food aid to developing countries. As chairman of the International Tast Force of the Select Committee on Hunger, I am keenly interested in this topic and its importance to the drought-stricken countries of sub-Saharan Africa. I, along with other members, am working on legislation that we believe will greatly improve overseas food aid programs. Thus, I am particulary interested in the testimony that will be presented by the distinguished panel of witnesses that we have before us today.

The legislation we are proposing addresses the need to expand U.S. agricultural exports, it also provides the mechanisms to increase resources to private voluntary organizations which will enhance the effectiveness of U.S. overseas food aid. In particular, we are proposing that the United States utilize more of its abundance of surplus agricultural commodities under the section 416 authority to combat hunger in developing countries.

The legislation we are working on proposes that we allow for the sale of U.S. agricultural commodities under Public Law 480 title I for local currency. The local currency acquired from the sale agreements would then be used for development projects in the recipient country.

It has been clearly demonstrated this year in the Africa famine the need to expand and promote long-term development along with our food aid donations program. Food aid programs can be very effective in promoting agricultural production, soil conservation and health in developing countries. However, these types of projects require non-food inputs to be effective. Therefore, I believe that monetization—selling some of the food for local currency and using the proceeds to enhance the food aid program—is a key element in getting food aid to remote villages, and in promoting food self-sufficiency in developing countries. The legislation we are working on would increase the level of Public Law 480 food aid and address the need for monetization. I do believe that we also need to consider necessary safeguards to monetization to ensure its proper use. With the proper safeguards, monetization can be an effective mechanism to promote long-term development in food aid programs. I hope that the witneseses that we have before us today can address this issue and shed some light on the kinds of safeguards we should consider.

Mr. Chairman, I am looking forward to the testimony before us today. I anticipate it will provide key information on these very important issues. Thank you.

PREPARED STATEMENT OF DANIEL G. AMSTUTZ, UNDER SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman, members of the committee, I appreciate the opportunity to discuss with you the administration's current food aid programs and issues which we are facing in providing food aid to needy countries around the world.

EXISTING PROGRAMS

Public Law 480

The Food for Peace Program has been the basic U.S. Government foreign food aid instrument since Public Law 480 was signed over 30 years ago. The program not only helps meet emergency and short-term needs of hungry people abroad but it is also an important resource for development. Under titles I and III and title II of this program, the United States has provided approximately $35 billion worth of farm products to over 100 countries to reduce world hunger. In general, the United States contributes more food assistance annually to needy people than all other nations combined.

The Public Law 480 concessional credit sales program under titles I and III has been effective in economic development and in creating commercial markets for

U.S. farm products. Funding has been expanded in recent years, growing from a total of almost $800 million in 1982 to $1.1 billion this fiscal year. In addition to increased food aid levels, we are accelerating the signing of agreements under this program with good results. Twice the amount of commodities were programmed during the first quarter of fiscal 1985 as during the same period a year ago. This enables recipient countries to prepare for shipments and to buy when prices are most favorable.

The level of the title II donation program has been expanding in recent years as well. Fiscal year 1985 programing is estimated at $1.2 billion of commodity and freight assistance. This level is up significantly from fiscal 1984, when $724 million of title II aid was programed to needy countries. The title II program is designed to relieve both chronic, long-term food shortages in lower-income developing countries and emergency food requirements arising from natural disasters such as droughts or floods. A large portion of title II food assistance moves through U.S. private voluntary organizations.

Section 416

Section 416 of the Agricultural Adjustment Act of 1949, as amended by the Omnibus Budget Reconciliation Act of 1982, authorizes the Commodity Credit Corporation to donate surplus dairy stocks to needy people overseas. Section 416 was further amended by the Agricultural Programs Adjustment Act of 1984 to provide that CCC-owned dairy products and wheat could be furnished by the Secretary for carrying out title II of Public Law 480. Under this authority, quantities of dairy products or wheat may be made available for donation in order to prevent waste, if the Secretary determines that such quantities cannot be disposed of in regular domestic channels, or sold abroad at competitive prices.

Section 416 foreign donations have increased rapidly in the past 3 years. Approximately 89,500 metric tons of dairy products, valued in the world market at $87.2 million, were moved to needy countries in fiscal year 1983. An estimated 171,000 metric tons of dairy products were donated to needy countries in fiscal year 1984. Although there has been some interest in donating wheat, thus far dairy products are the only commodities which have been moved abroad under the program.

There has been a good deal of confusion regarding the cost associated with expansion of section 416 donations beyond the initial dairy commodities, including the erroneous belief by some that these donations do not affect the Federal budget. This is not the case. The non-dairy commodities themselves are assets of CCC and, when donated, add to the net realized losses of the CCC. These losses must be restored through Congressional appropriation during either the current of subsequent fiscal years. In addition, the Corporation pays for many processing and transportation costs associated with all donations. These costs contribute to CCC (and Federal) outlays during the year in which they occur, and similar to the commodities being donated, add to the net realized losses of the Corporation.

One other point must be remembered in this regard. In terms of Federal budget presentation and accounting, section 416 program expenses are reflected as costs for domestic farm price and income support programs and thus compete with these domestic programs for limited budgetary resources in the agriculture account. Unlike the costs of Public Law 480, they are not considerd international affairs and foreign assistance expenditures. At a time when domestic farm program costs are under great scrutiny and sizeable reductions are being proposed, it is important to appreciate that there are limits as to how much assistance can be provided through this authority.

Food Security Wheat Reserve

The 4.0 million metric ton Food Security Wheat Reserve was established in 1981. In December 1984, the President determined that up to 300,000 metric tons of wheat could be released from the reserve for use under title II of Public Law 480 to provide emergency food assistance to African and South Asian nations in fiscal year 1985. To date, approximately 276,000 metric tons of wheat from the reserve has been approved for shipment to Africa as either wheat, wheat flour, or bulgur. CCC is to be reimbursed for the wheat and related costs from funds available for carrying out Public Law 480.

RECENT ISSUES

We feel strongly that our food aid programs have been successful in helping to reduce chronic and emergency hunger problems in many parts of the world. However, the drought in Africa has raised a number of issues associated with our existing food assistance efforts. These include: (1) the need for additional food aid appropria-

tions in fiscal year 1986; (2) changes in the section 416 program to allow increased monetization of commodity shipments; and (3) expanded use of multi-year programing.

Expansion of Food Aid Programing

The administration has requested appropriations to support a $1.68 billion Public Law 480 program level program level in fiscal year 1986. This program level includes $1.03 billion for title I/III concessional sales and $650 million for title II commodity donations and ocean transportation costs. Approximately 6.9 million metric tons of commodity aid would be programed to needy countries under this total proposed budget figure.

The proposed fiscal year 1986 Public Law 480 program level is down from that currently available during fiscal year 1985, but it is relatively unchanged from the President's original request for fiscal year 1985. The African drought situation has sharply increased emergency food aid needs in fiscal 1985, and these requirements have been met in part, through the enactment of two supplementals which have resulted in title II Public Law 480 program level of $2.3 billion in the current fiscal year.

We expect some improvement in the African situation next year and believe at this time that our proposed Public Law 480 program level will be adequate to meet both nonemergency and emergency food aid requirements worldwide. The recent enactment of the $400 million title II supplemental program level increase will provide us with a cushion against unanticipated African needs in he remainder of fiscal 1985 and allow us to keep food aid flowing to needy African countries through the first quarter of fiscal year 1986. Furthermore, the $225 million Emergency Reserve for African Famine Relief, which has also been authorized, will be available for use through Public Law 480 title II if the President determines these funds are essential for additional famine relief next year.

During fiscal year 1986, we will continue to carefully monitor the food situation in Africa and to take whatever steps are appropriate for the United States to respond to the emergency food aid needs of drought-stricken nations.

Agricultural Adjustment Act of 1985

The administration's proposed Agricultural Adjustment Act of 1985 would authorize a number of changes in our food aid reserves. It would eliminate the existing 4.0 million metric ton Food Security Wheat Reserve and replace it with a humanitarian reserve of up to 13 million metric tons. The new reserve would be authorized for humanitarian use both overseas and domestically. In addition, the reserve could include feed grains as well as wheat, and it would offer greater flexibility in its operation and release.

Monetization of Donated Food Commodities

Monetization of commodities donated under title II of Public Law 480 is presently authorized "to promote economic and community development". The existing practice within the interagency Food Aid Working Group is to review and approve title II program proposals with monetization components on a case-by-case basis. At the present time, a number of title II programs include a monetization component. Among the most notable has been the Cooperative League of the U.S.A. [CLUSA] program in India which supports the development of farmer cooperatives.

Current legislation authorizes sales and barter of commodities donated under section 416 as approved by the Secretary of Agriculture for certain purposes. The administration opposes a full-scale monetization of commodities donated under the section 416 program. Some U.S. private voluntary organizations [PVO's] have proposed full-scale monetization of commodities donated under the section 416 program. Such authority would allow the PVO's to sell donated wheat and dairy products within recipient countries for local currencies. The local currencies would, in turn, be used by the PVO's to expand economic development activities in these same countries. Such action would: (1) make the Commodity Credit Corporation and its assets a vehicle for providing foreign assistance, a role traditionally assigned to title II of Public Law 480 and other non-USDA foreign assitance programs; (2) constitute backdoor financing of development assistance which is not subject to annual Congressional review, as the section 416 program is not funded through the regular appropriations process; (3) increases the possibility of displacement of U.S. commercial exports; and (4) serve as a potential disincentive for local production by expanding local supplies without a comparable expansion of demand, driving prices down.

Multi-Year Programing

The Department of Agriculture appreciates the developmental benefits of multiyear programing of U.S. food assistance to needy countries. Programing on a longer-term basis increases the food security of less developed countries and allows countries to implement longer-term productivity and marketing policy reforms. Authorization currently exists for multi-year programing of food assistance under title I/III and title II of Public Law 480. Such multiyear approaches can be considered but subject to an annual review of available funds and commodities.

CONCLUSION

The administration is committed to continuing its efforts to help meet the world's food assistance requirements. These needs have been especially large in fiscal years 1984 and 1985. We have met the challenge, but it is important that our food aid efforts take into consideration current U.S. budget constraints and the appropriateness of various mechanisms for accomplishing our food aid objectives.

CONGRESSIONAL RESEARCH SERVICE,
LIBRARY OF CONGRESS,
Washington, DC.

To: Honorable Cooper Evans, Attn: Joseph Fredericks.
From: Charles E. Hanrahan, specialist, Geoffrey Becker, analyst, Susan Epstein, analyst, Environment and Natural Resources Policy Division.
Subject: U.S. Commodity Surpluses and Food Aid Needs.

At your request we have conducted an assessment of the feasibility of using U.S. Department of Agriculture [USDA] surplus commodities to meet food needs in drought-affected countries in Subsaharan Africa and countries in Central America. Our assessment includes an analysis of the costs associated with storing surplus commodities versus the costs associated with making them available as food aid under Public Law 480 title II or similar programs; an economic assessment of the impact of such a program on the United States domestic economy; and examination of the economic, nutritional and political barriers to increasing food aid by the amount of stocks held by USDA; and an analysis of the amount of food aid need that current stocks of surplus commodities could meet in Africa and Central America.

If you have additional questions please contact us at 287-7235.

U.S. COMMODITY SURPLUSES AND FOOD AID NEEDS IN SELECTED REGIONS

INTRODUCTION

While large numbers of people in sub-Saharan Africa are dying from hunger and hunger-related causes, the United States and other developed countries are amassing ever larger surpluses of grains, dairy products and other food commodities. This coexistence of famine and hunger-related deaths in Africa and surplus food in the United States has raised the question: Why can't U.S. food surpluses be used to feed hungry people in Africa and elsewhere? Of course, large quantities of U.S. food are being made available to African countries faced with crop shortfalls and imminent starvation. U.S. shipments of food to drought-affected African countries totaled 419,820 metric tons in fiscal year 1983 and 783,575 metric tons in fiscal year 1984. However, making this volume of commodities available, or increasing the amounts of food aid to be made available, even to meet humanitarian food needs, are not simple matters.

The following assessment includes a description of the commodity inventory held by the USDA's Commodity Credit Corporation [CCC]; and analysis of the costs associated with storing surplus commodities versus the costs associated with making them available as food aid under Public Law 480 title II or similar programs; an economic assessment of the possible impact of such a program on the United States domestic economy; an examination of some potential economic, consumption and political barriers to increasing food aid by the amount of stocks held by USDA; and an analysis of the amount of food aid need that current stocks of surplus commodities could meet in Africa and Central America. A number of the observations in this report were offered by Government and private food aid officials within the context of longer-term needs. These observations might take on less significance when balanced against the current backdrop of widespread famine now occurring in parts of Africa.

SUMMARY

This report addresses the feasibility of using U.S. Department of Agriculture [USDA] surplus commodities to meet food needs in drought-affected countries in sub-Saharan Africa and in Central America.

The results of this assessment suggest that using all USDA Commodity Credit Corporation [CCC] stocks to meet the food aid needs of African and Central American countries would be expensive in terms of distribution costs. These costs are estimated to be far in excess of the storage costs associated with CCC inventories. There are also potentially significant economic, nutritional and political costs and risks associated with expanding food aid by the amount of commodities in CCC inventories. These barriers are, in general, more significant for dairy products than for grains.

Nevertheless, if these barriers are overcome, then CCC-held stocks of grain are more than adequate to meet the estimated emergency grain food aid needs of African and Central American countries. There are no estimates of the need for dairy products as food aid. However, CCC dairy stocks greatly exceed the import demand for dairy products of African and Central American countries, and appear more than adequate to cover estimated needs for dairy products that might arise.

COMPARATIVE COSTS OF STORING AND SHIPPING USDA SURPLUS FOODS OVERSEAS

This section of the report describes the USDA's commodity inventory and explores the estimated costs involved in processing and shipping surplus foods held by the CCC to ports serving sub-Saharan Africa and Central America.[1] It contrasts these costs with the estimated annual expense of storing them in U.S. warehouses and grain elevators.

What commodities are available

What amounts and types of surplus CCC food might be made available for overseas uses? The quantities change regularly, in part because the commodities are constantly moving in and out of Government hands. For example, the volume of bulk grains is always in flux as farmers contract for new crop loans or settle their old accounts with the CCC.

Our analysis applies only to the stocks held by the CCC is uncommitted inventories. It is important to recognize that much of the grain often cited as surplus may not be under CCC control or, if held by CCC, already may be committed to specific programs or purposes. For example, a large portion of wheat actually is in farmer-owned grain reserves rather than in CCC inventories. Of the CCC-owned grains, some may be set aside for disaster reserves.

Table 1 provides a snapshot of the CCC inventory as of August 1, 1984, which might be tapped for foreign food donations, including donations for emergencies. The amounts include all uncommitted stocks, as well as the four-million-ton Food Security Wheat Reserve, which is set aside for emergency feeding purposes overseas. Items not included are CCC-held stocks of cotton, grains set aside for disaster reserves, and honey earmarked for domestic feeding programs.

TABLE 1.—*USDA/CCC surplus commodities (Aug. 1, 1984)* [2]

[Available metric tons]

Commodity:	*Amount*
Barley	228,620
Oats	20,321
Rye	43,182
Sorghum	1,419,935
Soybeans	19,051
Corn	3,894,026
Wheat	6,597,049
Rice	793,787
Butter	133,945
Cheese	394,852
Nonfat dry milk	624,143
Total	14,168,911

[1] The CCC is the legal entity within the U.S. Department of Agriculture, responsible for financing agricultural price support, production adjustment, commodity storage and disposition, and related programs. The CCC also finances certain agricultural export activities, including credit sales and foreign food aid activities.

[2] Represents "exportable" surplus—uncommitted Commodity Credit Corporation inventories plus the 4,000,000 metric ton food security wheat reserve.

Source: USDA, Agricultural Stabilization and Conservation Service.

As with the quantities, the values of these commodities also change continually. However, USDA's Agricultural Stabilization and Conservation Service [ASCS], which manages the surplus, valued its total inventory at about $8 billion on June 30, 1984.[2]

Cost Considerations

Compared with estimated annual storage costs, the shipment of surplus commodities to foreign ports serving developing nations is expensive. Assuming no spoilage problems, the CCC could store its inventories for 5 to 10 years or longer before storage costs exceeded the expense of sending them to African and Central American ports.[3]

Developing storage cost estimates is a relatively simple task. Estimating the likely costs of moving foods to foreign ports is more difficult. Several shipping experts interviewed for this study have declined to generalize about such costs. They noted that booking space on U.S. inland carriers and on ocean vessels is a complex matter laced with constantly changing variables. The cost of transporting a commodity depends upon what it is, where it is stored, where it is destined, facilities at the receiving port, the size, type, and nationality of the carrier, whether its owner has joined with other ocean shippers in setting standard rates, the type of charter arrangement, the timing of the shipment, current demand for and availability of ships, and more. Rates can change on a weekly or even daily basis.

For example, some African ports can handle only bagged commodities, which are more expensive to ship than bulk grains. Others may be too small to accommodate large ships or too many ships at one time, which can create lengthy unloading times. Thus, negotiated rates can also depend upon how much cargo must be moved by a given time.

Further clouding the cost estimates are provisions of the Cargo Preference Act of 1954. The act requires that, in effect, 50 percent of Government-sponsored exports, including Public Law 480 commodities, be booked on private U.S. flag commercial vessels to the extent that they are available at fair and reasonable rates. Space on U.S. vessels is generally more expensive than space on foreign vessels. Would proponents of the requirement argue successfully that it be applied to all emergency aid shipments? Or could it be argued that the urgency of the hunger problem overrides the justification for the Cargo Preference requirement? Moreover, the 50-percent requirement in practice has been a goal, not an absolute figure. For example, in 1980, about 38 percent of Public Law 480 commodities shipped under title I was shipped on U.S. vessels, and 42.4 percent was so shipped in 1981. The proportion of title II commodities under Public Law 480, on the other hand, has generally been higher than 50 percent in recent years.

Therefore, in developing estimates of storage compared with overseas shipping costs, CRS made a number of assumptions that might or might not apply if and when a decision was made to release more CCC-held commodities for emergency food aid. These assumptions are based on discussions with transportation specialists in the private sector and at USDA's Foreign Agricultural Service, Economic Research Service, and Office of Transportation; specialists with the U.S. Agency for International Development (AID) and with the Department of Transportation; commodity storage and processing managers at ASCS; and representatives of several private hunger groups. Among the assumptions:

U.S. Inland Transportation.—USDA's surpluses are stored in hundreds of warehouses and thousands of grain elevators throughout the United States, making it extremely difficult to generalize about the likely cost of transporting these items to specified port cities. The mode of transportation can affect the cost, too—a U.S. Department of Transportation analyst recently noted that 10,000 metric tons of wheat could be moved from Arkansas to New Orleans by rail for $28 per ton but that the same amount could be moved by barge for $5 per ton (bulk rates).

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[2] Some CCC grain stocks have increased and dairy stocks have decreased since August 1; for additional information, see USDA's Commodity Inventory (Report No. 84-745 ENR).

[3] To date, spoilage has not been a major problem, according to USDA officials. Officials have minimized spoilage by regularly rotating inventories, reprocessing certain stocks, and so forth. Grains and rice rarely spoil if properly stored; dairy products can be kept for a number of years before spoilage becomes a danger. Moreover, dairy stocks have been declining in recent months due to lower production and improved commercial usage. See the above report and also The Dairy Production Stabilization Act of 1983: A Progress Report (Report No. 84-710 ENR).

According to ASCS officials in Kansas City, the Department now pays anywhere from 25 cents to $1 per bushel to ship bulk grains from storage to coastal ports. CRS therefore assumed that the average would range from $18 to $29 per metric ton.[4]

The Department can pay $3.50 or more per cwt. (hundred pounds) to move processed dry freight—mainly nonrefrigerated dairy products—to U.S. ports. The cost of shipping by rail from Kansas City to New Orleans has been as low as $1.50, however. CRS therefore assumed a range of from $1.50 to $4.50 per cwt., or $33 to $99 per metric ton.

Processing. Government and private food relief experts point out that a number of the foods held by the CCC would have to be reprocessed prior to shipment overseas. For example, only about a fifth of the nonfat dry milk in storage as of August 1 was fortified; AID as a rule does not accept nonfortified milk for overseas use. The ASCS Kansas City office estimated the cost of fortifying and rebagging powdered milk at 4.5 cents per pound, or about $99 per metric ton.

Surplus cheese is currently refrigerated in 500-pound barrels or 40-pound blocks; butter is generally frozen in 200-pound or 68-pound blocks. Shipping these commodities in their present forms would be impractical, as many developing areas lack temperature control facilities. Threfore, CRS assumed that the butter would be reprocessed into butter oil (133.945 metric tons of butter would yield an estimated 91,083 metric tons of butter oil, according to ASCS), at costs ranging from 20 to 25 cents per pound.

Cheese would be canned at an estimated cost 22 to 23 cents per pound. However, reprocessing large amounts of both butter and cheese might not prove practical due to the limited availability of equipment, ASCS noted.

CRS assumed that all of the exportable grain in storage could be consumed for human food, although much of it might be more suited to feeding livestock. Bagging costs were calculated (in the range of 37 cents to $1 per bushel, delivered to docks at U.S. ports), because some ports in recipient countries might not be able to efficiently handle bulk grains.

Extimates assume that rice would be both milled and bagged, at costs ranging from $2 to $2.50 per cwt. Milling 793.787 metric tons of rough rice would yield an estimated 515,961 metric tons, based on ASCS calculations.

Other types of processing were not considered. For example, wheat could be milled into flour, or corn into meal. Also, the Agricultural Programs Adjustment Act of 1984 created a 2-year pilot project under which the CCC will exchange surplus dairy products for up to 40,000 metric tons of ultra-high temperature [UHT] milk to be used for overseas donations. UHT milk does not require the termperature control of regular milk and many other dairy products.

U.S. Port Charges.—Elevators at gulf ports now generally charge a handling fee of 5 or 6 cents per bushel for bulk grains, according to ASCS. Therefore, CRS estimated an average rate for handling at $2 per metric ton. ASCS reported that packaged freight such as dairy products can sometimes cost 20 cents per cwt. for unloading from rail cars at U.S. ports and another 20 cents per cwt. for wharfage charges (essentially for moving a commodity across the dock). No additional costs were determined for loading into ships, because these costs generally are included in ocean rates.

Ocean Transportation.—CRS selected four general destinations—West Africa, East Africa, South Africa, and Central America—and assumed that all shipments would depart from the U.S. gulf coast. In fact, rates to separate ports within each of these destinations can very considerably. Estimates for U.S. flag vessels were then provided by USDA's Foreign Agricultural Service [FAS] based on the most current information available. Foreign flag vessels can cost far less per metric ton, although their rates tend to be unpredictable. CRS calculated foreign rates based on reports of actual recent shipments or, if unavailable, on estimates made after consultations with private industry and U.S. Government transportation specialists.

Storage versus shipping costs

Table 2 shows the estimated annual cost per metric ton of storing each type of exportable commodity in the CCC inventory, compared with the cost of processing and shipping it to the four selected destinations. Acquisition and handling costs (at storage sites) in the United States have been disregarded, because these commodities were already held in surplus as of August 1. Table 2 indicated that, under CRS' assumptions, it would cost from 4 to 12 or more time per metric ton to process and

[4] This range takes into account the fact that bushel weights differ depending on the type of grain.

ship CCC-held commodities to sub-Saharan Africa or Central America than to store them in the United States for 1 year.

TABLE 2.—EXTIMATED AVERAGE COSTS OF SHIPPING AS FOOD AID VERSUS STORING CCC-HELD COMMODITIES

[Dollars per metric ton[1]]

	Grains [2]		Rice	Butter	Cheese	Nonfat dry milk
	Bulk	Bagged				
Processing [3]		14–38	44–45	441–551	485–507	99
U.S. inland trans. [4]	18–29	18–29	24–37	33–99	33–99	33–99
U.S. port charges [5]	2	0–9	0–9	9	9	0–9
Ocean (United States foreign): [6]						
West Africa	102/65	140/65	140/65	[7] 180/81	[7] 180/81	150/108
South Africa	92/20	170/83	170/83	[7] 220/99	[7] 220/99	150/108
East Africa	136/31	170/85	170/85	[7] 240/108	[7] 240/208	170/105
Central America	40/21	75/60	75/60	[7] 150/68	[7] 150/68	75/60
Total average shipping cost (range) [8]	49–123	105–215	141–240	572–857	616–813	227–343
Storage [9] (annual)	13		22	77	66	22

[1] Rounded to nearest dollar.

[2] Average for following grains: barley, oats, rye, sorghum, soybeans, corn, wheat. Not all grains in storage may be suitable for human consumption.

[3] Processing: grains—bagged and delivered to dock; rice—milled, bagged; and delivered to dock; butter—converted to butter oil; cheese—canned; nonfat dry milk—fortified and rebagged. Compiled by CRS based on estimates provided by USDA/ASCS (Kansas City) officials.

[4] U.S. inland transportation costs vary based on actual location of stored commodities and U.S. port destination. Estimated ranges (based on 50–75 cents/bushel for bulk grains, $1.50–$4.50/cwt. for packaged dry freight) developed after consultation with USDA/ASCS (Kansas City) office. U.S. inland rates for bagged grains/rice assume movement in bulk and processing near U.S. port; rates for butter/cheese assume processing prior to U.S. transportation.

[5] U.S. Port Charges for bulk grains include elevator handling fees, for all others, include unloading and wharfage charges, if applicable. Ship loading charges generally included in ocean rates.

[6] Estimates of U.S. bottom rates provided by USDA's Foreign Agricultural Service (FAS) based on most current information available. For foreign bottoms, rates are based on actual recent shipments, or, if unavailable, on CRS estimates developed after consultations with private industry and government transportation specialists. Actual foreign rates could be higher. Assumes Gulf Port departures for all commodities; actual shipments would likely be from additional U.S. ports. (U.S. Cargo Preference Act requires partial use of U.S. flag vessels.)

[7] Assumes no refrigeration. Refrigerated rates would be higher.

[8] From point of U.S. storage to destination coastal port, including processing, if any. Additional distribution costs after reaching destination ports not calculated.

[9] One year only, exclusive of handling costs. Average cost based on storage contracts in effect in mid–1984.

Source: USDA/ASCS.

Aggregate cost estimates

Table 3 compares the total estimated costs of storing all the uncommitted CCC surplus for one year with costs of processing and shipping it overseas. Annual storage costs assume that the inventory on August 1, 1984, would remain constant for one year. Total processing and shipping costs assume equal allocation of the surplus among the four destinations (East Africa, South Africa, West Africa, and Central America). The results in table 3 show that it would cost from 5 to 15 times more to ship as food aid the total CCC-held commodities in inventory as of August 1, 1984 than to store them in the United States.

TABLE 3.—TOTAL ESTIMATED COST OF SHIPPING AS FOOD AID VERSUS STORING CCC-HELD COMMODITIES [1]

[In millions of dollars]

	Shipping [2]	Storage (1 yr only) [3]
Grains	$559.7 to $2,618.8	$156.4
Rice	$92.2 to $149.1	17.8
Butter	$71 to $101.6	10.3
Cheese	$243.2 to $320.8	26.1
Nonfat dry milk	$135 to $201.9	13.8
Total	$1,141.1 to $3,392.2	224.4

[1] Based on exportable CCC inventory on hand as of Aug. 1, 1984—uncommitted commodities plus 4,000,000-ton food security wheat reserve.

[2] Costs per commodity vary depending upon nationality of vessel, degree of processing, etc. Assumes equal allocation among 4 destinations. Shipping costs include processing.

[3] 1 yr, exclusive of 1-time, in-out handling charges. Assumes inventory on hand, as of Aug. 1, 1984, would remain constant.

POSSIBLE EFFECTS ON THE DOMESTIC ECONOMY OF A LARGE INCREASE IN PUBLIC LAW 480 TITLE II

Making available for food aid the large volume of commodities currently held by CCC would have significant effects on the domestic economy. The prices received by farmers and paid by consumers for food products would be particularly affected. This section of the report discusses a quantitiative analysis of the economic effects of the use of all appropriate commodities held in CCC inventories to increase food donations under Title II of P.L. 480. The analysis was carried out with the assistance of the quarterly agricultural forecasting model of Data Resources, Inc.

This analysis of the economic effects of a large surplus disposal plan is based on the following assumptions:

1. All uncommitted commodities currently held in CCC inventories, except dairy, honey and cotton, would be used to alleviate hunger in Africa and Central America. The commodities that would be shipped include wheat, corn, sorghum, soybeans, rice, barley, oats, and rye.

2. Although exports of these commodities as food aid would be likely to affect world prices, these effects are not estimated as the DRI quarterly forecasting model does not have an international trade component that could be used for this purpose. In reality, agencies administering the food aid program would need to determine carefully both the effect of these shipments on commercial sales to individual countries and the effects that these shipments would have on international trade patterns.

3. The shipments of CCC-held stocks are made over three to four quarters, beginning in the fourth quarter of fiscal year 1984.

The numerical results for commodity prices, livestock and livestock products, wholesale and consumer prices, and farm income shown in the accompanying tables are in line with economic expectations. CRS believes it is more appropriate to focus on the direction and relative magnitude of changes resulting from the disposal program than on the absolute levels of change.

The disposal plan has the effect of reducing total grain stocks and thereby mitigating the price-depressing effects of those stocks. Prices of the directly affected commodities—corn, soybeans, wheat, sorghum, barley, and oats—increase (Table 4). Prices of all these commodities increase significantly for several quarters after the surplus disposal plan goes into effect. However, prices weaken during the second year after the disposal plan is activated.

TABLE 4.—DIRECT QUARTERLY PRICE EFFECTS OF USING ALL CCC-HELD STOCKS TO INCREASE PUBLIC LAW 480 TITLE II

[Price increases in cents per bushel]

	Corn	Soybeans	Wheat	Sorghum	Barley	Oats
Fiscal year and quarter:						
1984:4	1	2	5	1	2	0
1985:1	4	4	9	4	4	0
1985:2	10	8	20	9	8	1
1985:3	32	35	28	28	7	1
1985:4	20	28	34	18	4	1
1986:1	16	14	36	14	5	2
1986:2	9	9	29	8	6	3
1986:3	4	8	30	5	4	3
1986:4	8	15	25	7	2	4

The food aid disposal plan has important indirect effects on livestock products (Table 5–7). The higher prices for feedgrains make livestock production less profitable, resulting in increased herd liquidation and lower livestock prices. These indirect price effects of the food aid program under analysis affect primarily fed cattle that are to be sold for slaughter, feeder cattle that are to be sold to feedlots for fattening, hogs, and broilers (chickens). After the initial liquidation of herds, livestock produc-

tion falls, causing livestock prices to move somewhat higher in subsequent quarters. This analysis applies only to shortrun effects of a large increase in grain shipped as food aid. In the longrun, these price increases for livestock products could discourage meat consumption.

TABLE 5.—INDIRECT QUARTERLY PRICE EFFECTS OF USING ALL CCC-HELD STOCKS TO INCREASE PUBLIC LAW 480 TITLE II

[Dollars per hundredweight]

	Fed cattle	Feeder cattle	Hogs	Broilers
Fiscal year and quarter:				
1984:4	0	−0.02	−0.01	−0.01
1985:1	−.02	−.34	−.05	−.05
1985:2	−.05	−.86	−.15	−.11
1985:3	−.17	−2.86	−.49	−.38
1985:4	−.04	1.76	−.27	.01
1986:1	.15	−1.08	.55	.59
1986:2	.37	−.09	2.03	1.37
1986:3	.22	.08	3.52	1.80
1986:4	−.30	−1.00	4.00	1.73

TABLE 6.—EFFECTS ON CATTLE AND BEEF OF USING ALL CCC-HELD STOCKS TO INCREASE PUBLIC LAW 480 TITLE II

	Cattle inventory (thousand head)	Beef cows (thousand head)	Fed beef production (million pounds)	Nonfed beef production (million pounds)	domestic disappearance (pounds per person)
Fiscal year and quarter:					
1984:4	−1	0	0	0	0
1985:1	−9	−1	0	3	0
1985:2	−27	−3	1	10	0
1985:3	−61	−6	3	28	.1
1985:4	−95	−20	9	48	.2
1986:1	−136	−27	12	24	.2
1986:2	−188	−37	14	16	.1
1986:3	−241	−66	11	9	.1
1986:4	−317	−97	7	15	.1

TABLE 7.—EFFECTS ON HOGS AND PORK OF USING ALL CCC-HELD STOCKS TO INCREASE PUBLIC LAW 480 TITLE II

	Breeding hogs (thousand head)	Market hogs (thousand head)	Sow farrowing (thousand head)	Commercial production (million pounds)
Fiscal year and quarter:				
1984:4	0	0	0	0
1985:1	−6	1	0	1
1985:2	−22	−10	−2	2
1985:3	−76	−49	−8	6
1985:4	−152	−212	−27	6
1986:1	−211	−587	−63	−8
1986:2	−253	−1,065	−89	−35
1986:3	−248	−1,409	−97	−72
1986:4	−223	−1,527	−92	−108

Farm income increases as a result of the food aid disposal plan (Table 8). Cash receipts from crops increase more than do cash receipts from livestock production. Because of the higher feed prices, livestock cash receipts decline during three quarters of fiscal year 1985. Increases in gross and net farm income imply that government expenditures to enhance farm income would be lower.

TABLE 8.—EFFECTS ON FARM INCOME OF USING ALL CCC-HELD STOCKS TO INCREASE PUBLIC LAW 480 TITLE II

[Percent change]

	Crop cash receipts	Livestock cash receipts	Gross income	Production expenses	Net farm income
Fiscal year and quarter:					
1984:4	1.4	0.1	0.8	0	4.4
1985:1	2.3	.1	.9	.1	6.6
1985:2	5.7	−.1	1.8	.2	11.6
1985:3	5.0	−.5	1.9	.5	12.7
1985:4	3.3	−.3	1.8	.5	9.0
1986:1	3.0	.2	1.2	.5	5.7
1986:2	2.1	.9	1.0	.5	5.3
1986:3	1.7	1.4	1.3	.3	9.7
1986:4	1.4	1.1	1.3	.3	11.2
Fiscal year:					
1984	.5	0	.2	0	1.3
1985	4.0	−.2	1.6	.3	9.9
1986	1.9	.9	1.2	.4	7.8

Food price inflation is also substantially higher as a result of the large increase in food aid assumed by the analysis (Table 9). The consumer price index (CPI) shows rather steady increases both quarterly and annually as the program is implemented.

TABLE 9.—EFFECTS ON FOOD PRICES OF USING ALL CCC-HELD STOCKS TO INCREASE PUBLIC LAW 480 TITLE II

[Percent increase]

	Wholesale food prices (wholesale Price Index)	Consumer food prices (Consumer Price Index)
1984:4	0.2	2.1
1985:1	.4	2.1
1985:2	.6	2.3
1985:3	1.7	2.7
1985:4	1.4	2.8
1986:1	1.6	2.8
1986:2	1.5	2.8
1986:3	1.7	2.9
1986:4	1.7	3.1
Annual:		
1984	.1	.6
1985	1.0	2.5
1986	1.6	2.9

In sum, the food aid program under analysis would have mixed economic results. Grain producers would benefit more than livestock producers at least initially. Farmers would benefit from higher incomes, with crop farmers in contrast to livestock producers receiving the greater benefits. Consumers would bear some of the cost of the program in the form of higher food prices.

POSSIBLE BARRIERS TO SIGNIFICANTLY EXPANDING U.S. FOOD AID TO AFRICA AND CENTRAL AMERICA

In considering the possibility of donating all USDA-held surplus commodities, both grains and dairy products to Africa and Central America for emergency needs, three types of barriers—economic, consumption, and political—become evident. Economic barrriers include inland transportation costs, need for increased program funding, disincentive effects on domestic production, and possible displacement of commercial sales of commodities from the U.S. and other agricultural exporting countries. Food consumption barriers include lactose intolerance by many Africans, criticisms of use of nonfat dry milk [NFDM] by some nutritionists, inability to locally produce some donated commodities, and contamination or loss of large quantities of donated commodities before reaching the needy. Political barriers to large increases of emergency food assistance include the anti-dumping rules of the General Agreement on Tariffs and Trade [GATT], the International Dairy Arrangement,[5] multilateral aid institutions, in addition to possible retaliatory action by other agricultural exporting countries (most of whom are considered allies of the U.S.). Locally there are political implications of greatly expanding U.S. food aid, such as the controversy over monetization (selling) of dairy donations, and the desire by recipient governments to keep food aid from disrupting the local economy and to prevent their people from developing a dependency on donated food.

Economic barriers

Transportation costs are one of the most prohibitive economic factors is significantly expanding food aid. A substantial portion of the total transportation cost, especially in Africa, is incurred as land transportation cost—delivery of commodities from African port to urban centers or feeding centers. According to Catholic Relief Services and the World Food Program, typical costs of a per-metric-ton-per-kilometer basis for Africa range from $0.10 to $0.28. This estimate is essentially for grains, and does not take into consideration any refrigieration or special handling requirements. In Ethiopia, because of the mountainous terrain and guerrilla activities, donated food commodities are often delivered by air. The estimated cost per-metric-ton-per-kilometer in Ethiopia ranges from $0.70 to $0.80. An example, provided by Catholic Relief Services of inland transportation costs illustrates a typical situation: from the port of Dakar, Senegal to Nouakchott, Mauritania by truck costs about $110 per metric ton. From Nouakchott to the consumption centers costs another estimated $80 per metric ton. In this particular example, delivery costs from port to point of delivery to the needy is nearly $200 per metric ton.

Some rail transportation exists between large ports in Afric and major cities. The August 1984 transportation estimate by the Catholic Relief Service of food by rail in Kenya from Mombasa to Nairobi, for example, is between $0.13 and $0.15 per-metric-ton-per-kilometer.

In order to meet increased program costs due to an expansion of emergency food aid, donation programs such as the Public Law 480 title II food aid program would need increased funding. In many cases, especially in Central America, the distribution personnel and facilities are currently fully utilized. Any significant increase in distribution requirements would need a corresponding increase in funding. According to AID officials, if funding for distribution were not sufficiently increased to correspond to a large commodity donation increase, a reduction efficiency of the program, an increase in loss of usable commodities, and a loss of control over who receives the food would likely result.

The disincentive effect on local food production, which according to critics of food aid has occurred in parts of Africa, can be a deterrent to greatly expanding food aid donations. When large quantities of food enter the local economy, prices of food may decline. Subsequently, local food producers can be discouraged from staying on the farm. Such an exodus of farmers from rural areas to cities creates urban unemployment, social problems, reduced food supplies, and, therefore, an increased need for food aid. Rather than providing for long-term development, food aid programs in some cases help to guarantee their future need. Some, however, argue that food aid does not necessarily have these disincentive effects if it is carefully programmed and monitored, used in ways that support development, or distributed through nonmarket channels.

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[5] The United States announced its intention in December 1984 to withdraw from the International Arrangement to protest European Community butter sales to the Soviet Union at prices below those set under the Arrangement.

There is also a concern among developed nations whenever another government considers shipping a large increase of commodities overseas. Whether this action is determined to be dumping or not, the possibility of displacement of commercial sales resulting from increases in food donations exists. Many agraicultural and food aid experts believe that if all of U.S. surplus food stocks were donated to Africa and Central America, a portion of the donations would displace potential saales, and some portion may also be sold by the food aid recipients to third party countries for foreign exchange. Undoubtedly, there would be some negative effects on other exporting countries, and there would likely be downward pressure on world prices.

Food consumption barriers

Food consumption barriers here include cultural differences in food preferences and lactose intolerance as well as poatential improper preparation and spoilage of donated commodities. Food consumption barriers to donating all U.S. food surplus stocks to Africa and Central America concern primarily the use of dairy products in Africa. According to the nutrition advisor to the Africa Bureau of AID, there are several concerns with distributing larger quantities of food in Africa.[6]

First, there is a great deal of lactose intolerance, worldwide and specifaically in Africa, among non-Caucasian people.[7] Generally, Africans who typicaslly do not have dairy products introduced into their diets at early ages are prone to lactose intolerance, which is the inability to properly digest the sugar in milk. Thus, shipments of diary products could create digestive problems if Africans were encouraged to consume these products.

Second, the AID advisor suggested that a problem may also arise if Africans are encouraged to use dairy products in their diets when surpluses are available, but are unable to acquire those products when surpluses diminish or disappear. The aid recipients may come to depend on donated commodities such as dairy for certain nutrients, giving up their capability to produce their own sources of these nutrients.

Third, the largest users of dairy products in Africa tend to be live-stock herding people. This group may be reluctant to increase their use of U.S. dairy surpluses because they prefer their own dairy product—fresh milk—to U.S. NFDM (just as Americans prefer whole milk to NFDM). This preference would be unlikely to prevail during serious food emergencies. In addition, since the dairy-consuming people are nomadic, distribution of the donated commodities (especially those of a perishable nature) would be difficult, even if they wanted the additional food.

According to AID, although nonfat dry milk is the largest category of dairy products donated to Africa, there are difficulties with the dairy donations already being delivered. Because of the heat and humidity of the climate, the bags of NFDM often arrive containing huge clumps of powdered milk. In many instances, it spoils by the time the people receive it. In addition many, including some nutritionists, criticize any product that can be put into a baby bottle and that has the potential to be diluted or otherwise improperly used. These criticisms are based largely on findings in studies of the use of breast milk substitutes done over the past decade.[8] Belgian nurses working in Africa reportedly have suggested that NFDM actually worsens the nutritional status of the population. Often, the introduction of dairy products, use of improper preparation, or the reconstitution of NFDM with contaminated water results in severe cases of diarrhea, particularly in small children. Diarrhea worsens the health of the individual by preventing the absorption of nutrients by the body, as well as promoting life-threatening dehydration.[9]

Monitoring of populations which have been receiving surplus NFDM indicates that certain nutritional problems can arise from the donation of dairy surpluses. Without proper proportions of nutrients, the body cannot fully utilize certain vitamins and minerals. According to AID, it has been noted that in some situations people who consume NFDM showed dramatic improvements in their health, but later these improvements declined just as dramaticallay. They added for example, that some nutritionists believe that the inability of the body to absorb vitamin A, or the lack of fat to transport the vitamin throughout the body, resulted in a vitamin A deficiency after suddenly increasing their intake of NFDM. While NFDM is required to be fortified for Title II food aid, a total assessment of overall nutrient re-

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[6] Personal communication with Christine Babcock, nutrition advisor, Africa Bureau, Agency for International Development, September 1984.

[7] Rakel, Robert, M.D., ed., Conn's Current Therapy, 1984, pp. 386-387.

[8] Grant, James P. The State of the World's Children 1984. UNICEF, Oxford University Press, 1983. pp. 27-31.

[9] Chandler, William U., "Improving World Health: A Least Cost Strategy," Worldwatch Paper 59, July 1984, pp. 11-18.

quirements may need to be considered for optimum benefits to accrue to the needy from the donation of U.S. surpluses. These criticisms point to the need to supervise the consumption of milk products in relation to other foods.

Food aid officials offered the following views on other donated commodities.[10] Rice is considered by some to have limited potential for increased usage in Africa. By donating large quantities of rice to Africa, the U.S. may be cultivating a demand for rice where it cannot be economically grown, or purchased once donations stop. This demand may induce the needy countries to spend their limited foreign exchange for rice imports, rather than for long-term self-help measures such as seeds, fertilizer, and tools.

Corn donations have the potential to be expanded in food aid programs. Both Africa and Central America have the ability to produce this crop, and their populations have traditionally used corn. Millet and sorghum are very much a part of the African diet, and its people have the ability to produce this commodity locally. In many parts of Africa, these grains are staple food items. Africans prefer their locally grown varieties to U.S. varieties which are more bitter and harder to pound into usable form. However, the U.S. product does store well, and Africans will use it when local stocks are depleted.

Vegetable oil is a complementary food item for Africans since they use it to make millet and sorghum more palatable. Even at lower African incomes, it has been observed that the demand for oils in Africa is relatively inelastic—that is, demand does not tend to change proportionately with changes in price. One AID nutritionist has suggested that butter oil has the potential to be substituted for currently-used oils; however, deterioration of the commodity is a problem.

Cheese has very limited potential for increased use in Africa and Central America. Traditionally, the introduction and assimilation of fermented food products into the food supply cross-culturally occurs slowly, if at all. The slowness of the assimilation—in addition to the storage, refrigeration and handling requirements of cheese—would make distribution of U.S. surplus cheese extremely costly. A high rate of contamination could be expected unless expensive processing (i.e., canning) were undertaken.

Political barriers

Whenever any one country significantly increases its agricultural exports, whether through aid or commercial sales, other agricultural exporting countries become concerned about possible displacements of their exports, reduction of world market prices, and any resulting injury to their own agricultural producers. Several international agreements exist for the purpose of minimizing distortions in trade such as might occur from dramatic increases in food aid. The International Dairy Arrangement and the General Agreement on Tariffs and Trade are two such agreements that could preclude such an action by the United States.

The International Dairy Arrangement[11] is a commodity agreement that provides for exchange of information and consultation among signatory countries on various aspects of the dairy situation. Furthermore, minimum prices of dairy products have been agreed upon by participating countries—19.3 cents per pound for NFDM, 42 cents per pound for butter and 36.3 cents per pound for cheese.[12] While these prices are well-below actual market prices, the intent of such an arrangement is an expression by the signatories that they will not subsidize dairy product exports below these price levels. Therefore, many argue that if the United States donated all surplus dairy products currently in inventory, it would probably be in violation of the International Dairy Arrangement.

The General Agreement on Tariffs and Trade contains an Anti-Dumping Code (Article VI) which prohibits any country from exporting significant quantities of a product to another country at below fair value or below market prices in the country of origin. According to the Office of the U.S. Trade Representative, an action taken by the United States to "donate" all surplus commodities to Africa and Central America could be viewed as dumping. If so, the United States could, by taking such action, be in violation of the GATT, but the applicability of GATT rules to donations is not clear.

Political barriers exist within the recipient countries to discourage large increases in food aid. Most governments are, for the most part concerned with harmonization of aid into the local economy. They are fearful of economic disruptions, as well as

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[10] See footnote 7.

[11] See footnote 6, page 18.

[12] U.S. Congress, Senate, Hearings before the Committee on Agriculture, Nutrition, and Forestry, 96th Congress, 1st Session, June 27, 28, 1979. p. 75. U.S. Govt. Print. Off.

the possibility of their people adopting a "famine mentality" whereby they reduce their own efforts for self-help. For these reasons, some aid-recipient governments would prefer more "monetization" of donated commodities: monetization means allowing the host government to sell the donated commodities to their people and using proceeds for development activities. Some U.S. policymakers oppose monetization because they believe that U.S. donated food should be provided to the needy. A further difficulty with monetization is the possible diversion of proceeds from development programs to other uses.

POTENTIAL BENEFITS TO RECIPIENTS FROM INCREASING U.S. FOOD AID

While the potential economic, consumption, and political barriers to significant increases in U.S. food aid are numerous, many stress the benefits to taking such an action. Many, including U.S. government leaders, farms interest groups, and private voluntary organizations, believe that the United States could increase dramatically food aid to Africa and Central America. They believe not only that these areas of critical food need have the ability to absorb more food than is currently being sent, but that the positive effects—decreased incidence of starvation, improved nutrition and balance of payments relief in the recipient countries—would outweigh the potential negative effects.

The issue of whether food aid recipients would benefit from increased aid is controversial; there is no definitive answer. However, there does appear to be agreement among food aid experts that people in Africa and Central America could use more calories and nutrients if the food were donated judiciously and programs were increasingly monitored. Many concur that if the right foods were given (and if distributable) the populations in these areas certainly could benefit nutritionally from increases in U.S. food aid.

An additional possible benefit to recipient countries of an increase in U.S. food aid would be temporary balance-of-payments relief. By giving countries additional food, their need to purchase commodities would be reduced, allowing the government to purchase other development-promoting items, such as seeds, fertilizer, and tools. Some feel that a short-term increase in food donations to certain countries could be sufficient to help them out of the vicious cycle of struggling from year to year to meet food needs. A short-term increase in aid could translate into long-term development, supporters contend.

U.S. SURPLUSES AND FOOD AID NEEDS

People often ask, "Why do people around the world have to starve when the U.S. has so much food?" Donating more food could benefit both the United States and recipient countries, they argue. The U.S. currently has surpluses in some commodities which many consider of burdensome porportions. The surpluses are costly to store and are of little value to society while in warehouses. Many feel that it is indefensible to store those food commodities while people around the world are starving. Reducing world hunger could simultaneously benefit the United States with reduced stocks and storage costs.

What amount of food aid need in drough-affected countries in Africa and countries in Central America could be met by U.S. surplus commodities held in CCC inventories? One response to this question can be developed by comparing the estimates of food aid needed in these two regions with the volume of commodities in CCC inventory. To make this comparison, CRS used estimates of food aid need made by the Economic Research Service of USDA and the information contained in Table 1 above.[13] These estimates are for grains only and exclude dairy products. Estimates of the amount of dairy products that might be needed as food aid in the drough-affected countries of Sub-Saharan Africa or in Central America are unavailable.

The USDA estimates are "status quo" estimates of food aid needs. They are based on the notion that food aid could be allocated in such a manner as to prevent food supplies from falling below recent historical consumption levels. This method of food aid allocation would thus maintain previously existing levels of per capita consumption by filling shortfalls in domestic production and import capacity.

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[13] U.S. Department of Agriculture, Economic Research Service, World Food Aid Needs and Availablities, Washington, July 19, 1984.

Food aid needs in Africa and Central America

USDA published its 1984/85 estimates of food aid needs in developing countries in July of 1984. For 27 African countries that, according to the United Nations Food and Agriculture Organization, are currently experiencing drough, USDA has updated its estimates of food aid needed in FY 1985.[14] These revisions increase the July 1984 food aid need estimate by approximately 400,000 metric tons, an increase that is caused largely by the occurrence and expectation of bad weather and poor crops in Kenya, Sudan, Ethiopia, and the Sahelian countries.

The current USDA estimates and food aid needed by the 27 drought-affected African countries in FY 1985 is 4.9 million metric tons. That estimate is 2.3 million metric tons greater than the FY 1984 estimate.

USDA also has estimated the amount of food aid needed in five countries in Central America: Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. In FY 1985, the amount of grain needed as food aid by these countries is estimated to be 362 thousand metric tons. Excluding Nicaragua, 321 thousand metric tons is the estimate of food aid needed.

Food aid needs in relation to CCC inventories

The estimate of the total amount of grain needed as food aid in the drought-affected countries of Sub-Saharan Africa and the five Central American countries in fiscal year 1985 is 5.3 million metric tons according to USDA. The amount of grain currently in CCC inventory totals about 13 million metric tons (Table 1), more than double the estimated food aid needed in the two regions. CCC inventories of grain are thus more than adequate to meet the USDA estimate of food aid needs. In drought-affected African countries and in Central America.

Although estimates of the amount of dairy products that might be needed as food aid in Africa or Central America are unavailable, the large CCC stocks of dairy products suggest that almost any amount needed would be available. However, there are a number of factors that limit significantly expanded dairy imports by these countries.

The African and Central American countries import only small amounts of dairy products. Sub-Saharan African imports of dairy products (dry milk, butter, and cheese) totaled around 200,000 metric tons in 1982, the latest year for which complete trade data are available.[15] Central America's imports of dairy products were approximately 40,000 metric tons in 1982. Dry milk (both whole and nonfat) constitutes the major component of dairy imports by both regions. Sub-Saharan Africa imports around 150,000 metric tons while Central America imports around 35,000 metric tons of dry milk. These import levels suggest that demand for dairy products is not strong in Africa and Central America and that the ability to use dairy products is limited. CCC stocks of dairy products are large in relation to the volume of imports into these two regions. Total CCC dairy product stocks in 1984 of 1.153 million metric tons are five times the volume of dairy imports of these countries (1982 levels).

The inadequacy of infrastructure is a major limitation on the amount of dairy imports that can be effectively used in African and Central American countries. Equipment and facilities are not widely available for reconstituting dry milk into consummable products. Poor transportation systems often limit the distribution of dairy products to ports or capital cities. Economic development plans and policies of some countries also limit the expansion of the volume of dairy imports. The Central American countries especially are looking to the development of indigenous dairy production as a main source of dairy products and therefore wish to limit the imports of dairy products from other countries.

Finally, the dominant position of the EC in the African and Nicaraguan market for dairy products might also limit the volume of dairy products from other countries.

Finally, the dominant position of the EC in the African and Nicaraguan market for dairy products might also limit the volume of dairy products the United States could make available to those countries. The EC itself has huge stocks of dairy products, amounting to more than 2 million metric tons at the end of 1983. The possibility of trade conflict with the EC over dairy trade is thus very real.

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[14] The 27 drought-affected African countries include: Benin, Chad, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, Togo, Upper Volta (Bourkina Fasso), Central African Republic, Burundi, Ethiopia, Kenya, Botswana, Rwanda, Somalia, Sudan, Tanzania, Angola, Lesotho, Mozambique, Zamibia, Zimbabwe. The estimates of food aid needed by these countries is as of September 18, 1984.

[15] United Nations, Food and Agricultural Organization, Trade Yearbook 1982, Rome, 1983.

The United States has under Section 416 (Agricultural Act of 1949 as amended) made donations of dairy products that may total 170,000 metric tons by the end of the FY 1984.[16] Very little of these dairy products, however, has gone to Africa or Central America. There may be some prospect for increasing the donations of dairy products to these two regions, but no estimates are available from USDA or AID on the amount that might be needed in FY 1985. CCC stocks of dairy products would, apparently, be able to cover any conceivable need for dairy products in Sub-Saharan Africa and Central America.

PREPARED STATEMENT OF ROBERT J. MCCLOSKEY, SENIOR VICE PRESIDENT FOR EXTERNAL AFFAIRS, CATHOLIC RELIEF SERVICES

Mr. Chairman, distinguished members of the Commttee, thank you for inviting Catholic Relief Services to present its views on food assistance as Congress considers reauthorization of PL 480 this year. Last September we had the privilege of addressing many of these issues when this committee, in association with the House Foreign Affairs Committee, was considering the situation in Africa. We welcome this occasion to develop our positions more fully at this time.

As you know, Mr. Chairman, Catholic Relief Services has been involved with PL 480 from the beginning. We were active in supporting the legislation in 1954, and in subsequent years have been the largest private agency using Title II commodities. From that experience, we have evolved positions on the use of food in programs of assistance.

Catholic Relief Services uses food as a resource in two ways: first, in programs of direct feeding aimed at alleviating starvation and malnutrition; second, in programs of development designed to help those in need to feed themselves and to break out of conditions of poverty which breed hunger. These uses are obviously and deliberately related. They express the commitment of this agency to address both immediate need and longer term improvement.

Commodities provided through PL 480 have proved invaluable. Over the 30 years of the program's existence, millions of lives have been saved and millions of people have been restored to health in countries facing grave food shortages. This result alone—the most basic level of humanitarian response—justifies saying the program has been a success, giving concrete expression to fundamental American values. There is a record that speaks for itself. We hope that these resources, at increased levels, remain available to be placed where the need is greatest.

Let me at the same time emphasize that CRS is mindful of the concern that, without careful implementation, food assistance programs may risk creating disincentives to local food production and/or dependency on external supplies of food. We do not contend that either or both of these undersireable effects have never occurred. We do contend that they must be avoided and that Title II programs have generally not contributed significantly to either problem.

Effective management of resources is central to CRS's approach to food programs. Any successful program should be thoroughly researched and planned, have concrete and verifiable objectives and incorporate strict accountability through regular end-use checks and evaluations of operations. This ensures that programs are effective and of fixed duration rather than well-intentioned but never-ending. Our programs are designed to achieve results and then be phased out. This is the ultimate objective of any properly designated foreign assistance program.

While concerns about disincentive, dependency and accountability are valid, they should not be permitted to be used as excuses for inaction or delay. Operational agencies should be equipped to do regular programming as well as to handle emergencies where the moral obligation to act should be self-evident.

As we view it, food is an important resource of first resort. It is a basic need, a primary form of incentive. Looked on in this light, it can be used to stimulate activities to promote development, especialy at the commuinity level, while sustaining a level of nutrition to make the work of development possible. In mother and child health programs, for instance, food can be used to improve the health of young children and multiply that result through associated programs of nutritional education for mothers. In food for work projects, food can act as the incentive to build roads and wells, or to promote cash crops or basic health projects, which improve the material conditions of those involved and thus enhance the developmental process in that primary sense.

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[16] U.S. Department of Agriculture, Foreign Agricultural Service, Dairy, Livestock, and Poultry Export Trade, August 1984.

The concept of food security for developing countries is a fixed objective for CRS and we assume that to be the intent of Congress as it moves toward reauthorization of the PL 480 program. We are encouraged by efforts aimed at raising the levels of commodities available and in making the use of those commodities more flexible as a tool for development. We believe that such efforts will have the support of an overwhelming majority of the American people.

Precise data on worldwide shortfall is often a subject of contention. For 1983–84, the Department of Agriculture estimated that at least 12 million tons of food assistance would be required to maintain average per capita consumption levels. This quantity, USDA said, would have to be increased to at least 33 million tons were per capita consumption to rise sufficiently to meet minimally acceptable nutrition levels. More recent projections from USDA and FAO predict an even greater shortfall for the years ahead. It is clear that a very high level of need will remain over the next several years.

We believe that it is fair to expect the United States to undertake to meet world needs up to 50 percent of the total. We favor congressional authority that would mandate this commitment through FY 1989. In light of the current projections which I have mentioned, this may well involve doubling current levels of Title II to provide a minimum humanitarian response in food alone. We are, of course, talking about allocations to the World Food Program as well as to private voluntary organizations.

The magnitude of the impending need is, of course, the most compelling argument for increases in the minimum tonnage. But getting the food where it is needed is not uncomplicated. While the principle that recipient countries should meet in-country distribution costs is beyond question, the fact is that afflicted countries are often too poor and lacking in basic infrastructures to bear the burden. In those cases it is essential that non-food aid costs be provided for if the commodities are to meet the humanitarian need in the most timely way.

In Ethiopia, and elsewhere in Africa, CRS has expended privately contributed funds to meet inland transportation and other logistical requirements. We are concerned at what appears to be a tendency by the Administration to assume that PVOs have an obligation to meet such costs or that they can be pro-rated between government and private agencies. This is not in keeping with the intent of Congress as we read existing legislation, and it assumes a role for government in the disposition of private contributions which could result in a dangerous precedent for the independent viability of PVOs.

As we have said before, we believe that the number of PVOs involved in food programs and who provide an often vital supplement to fragile government channels of distribution may be insufficient. In our view, there need to be more PVOs on the ground in Africa and other areas of severe food shortage. Their absence risks creating the problem that should be avoided: that for want of trained hands where the need is greatest, there is an incapacity to absorb assistance after it is committed.

While we believe that food commodities provided under Title II can have desirable developmental uses, we also think that the impact could be considerably enhanced through programs of monetization, that is, sale or barter of some portion of those commodities. As we see it, carefully targeted monetization of commodities could greatly assist in mounting programs in agricultural extension, water management, basic health care, nutrition, education and small scale credit which are central to development needs in much of the Third World.

Let me emphasize that we do not look on monetization as either a quick fix or a panacea to cure all this. We are aware of valid concerns about using commodities provided through Food for Peace to generate cash both in terms of the intention of the law and possible disruptive effects on local markets. I would contend, however, that use of sale or barter for clearly defined programs consistent with the goals of PL 480 will not make PVOs merchants of grain or undermine the integrity of the program. On the contrary, we would content that monetization adds to the flexibility of PL 480 and the ability of PVOs using Food for Peace to achieve the kinds of results envisioned in the statute.

What we at CRS hope is to continue to use food directly, but also to use some amounts of it to generate funds to better promote self-sufficiency among the recipients so as to lessen their need for feeding programs and encourage their own ability to provide for themselves. We believe that any program of monetization must be sensitive to the country or countries in which it is proposed to function. Each sale should have safeguards in the form of agreed procedures to account for the impact on local markets and production.

In light of the expressed concerns about monetization and its relative newness as a program vehicle, we would suggest that monetization on a wider scale start care-

fully to allow the time for local governments, PVOs and the appropriate U.S. Government entities to evaluate the results and to make modifications and adjustments as necessary. A beginning might be made at a level from 15 to 25 percent of a Title II appropriation (reflecting increases in the minimum tonnage). Such an approach would, we are convinced, demonstrate the efficacy of the process and build confidence in its potential to provide meaningful development results.

Concerns about disincentives and disruptions, while valid, may be overstated. In most countries where there are Title II programs operated by PVOs, those programs constitute in nearly every case only a fraction of the country's food production consumption. In Burkina Faso, for example, CRS's total program in 1984 was 8,277 metric tons, local production was 1,100,000 metric tons and total imports 163,000 tons. Even in countries with much larger programs, such as India or Ethiopia, this proportion is not uncommon. Thus, arithmetically, the potential for monetization, based on a PVOs commodity base, to produce such results is very small and, given adequate procedural safeguards, could be virtually eliminated.

In the final analysis, we would argue that such concerns as exist about monetization can be adequately accommodated. What is important is not to make these concerns the cause for simply dismissing the entire concept. PVOs have been monetizing modest amounts of commodities for the past year or more. In the case of CRS, the funds generated through PL 480 have been used to support emergency programs. We have a monetization program in Egypt using EEC foodstuffs which will provide lines of credit to small farmers to purchase winnower-threshers to improve their yields and efficiency, and to small entrepreneurs to increase their capacity to compete and prosper in the private sector through employment of improved business methods. Our success to date persuades us that more can be done and that monetization could well become one of the most creative uses of Title II commodities since the passage of PL 480 in 1954.

In our experience one of the single largest obstacles to effective food aid planning is the uncertainty of available food resources from one year to the next. This uncertainty extends not only to tonnage levels but also to commodity mix, allowable recipient categories and authorized ration level. Effective planning, the kind that results in programs that produce basic developmental change, requires a sound strategy and generally reliable access to resouces over an extended period of time.

For that reason, CRS believes that Title II programs should be made available in multi-year commitments. This approach would result in more efficient food aid programming and have a greater developmental impact. With an assured supply of food over a predetermined timeframe—from two to five years—food aid can be used as part of a comprehensive program designed to achieve both short-term and long-term objectives much more effectively than the current year-to-year programs.

In this regard, we would emphasize that multi-year programming, if it is to be effective, needs careful research and planning as well as effective management and accountability standards. CRS's position is that such programs would be more flexible, efficient and effective than short-term efforts which tend to be piece-meal and may not be able to consistently address root causes of hunger and poverty. There is a place for a long-term and short-term programs. This difficulty from our perspective is that we are not yet able to operate proper long-term efforts and an ability to use multi-year commitments would allow us to do so.

Recent legislation has expanded authority under Section 416 to make available wheat and dairy products for assisting the hungry overseas. We welcome this authority and its provision allowing for monetization of those commodities.

At the same time, we must note that no proposals which include wheat or monetization provisions under the legislation have yet been approved nor, for that matter, has there yet been any response of any kind form the bureaucracy. Without mandate from the Congress, the new Section 416 authority could become a dead letter.

Expanded use of Section 416 is a welcome development. It does not and should not be used to replace PL 480 as the primary source of U.S. food assistance. Section 416 can, however, add another dimension to Food for Peace in the range or commodities available and their timely use. (CRS, for instance, is using substantial amounts of dairy products from Section 416 in our emergency programs in Ethiopia.) We would favor further expansion of the use of 416 commodities, but would suggest that they be made available using the safeguards which apply to Title II, particularly with regard to market disruption and potential disincentives to local production.

Programs of food assistance, particularly PL 480, stand as enlightened and humane policy initiatives. They do credit to us as a people and express basic beliefs which we hold about human life and dignity. With the reauthorization process this year, we have the opportunity to improve on the impressive record of the past by adapting our food assistance to the needs of the times by increasing available levels

and making the use of commodities more flexible and more sensitive to developmental needs. That is what our recommendations look toward and we hope the measures we have outlined will find widespread and bipartisan support in the Congress.

Thank you, Mr. Chairman. I will be happy to take in questions the Committee may have.

PREPARED STATEMENT OF CHARLES L. SYKES, ASSISTANT EXECUTIVE DIRECTOR, CARE

Mr. Chairman, we appreciate the opportunity to appear before your Committee to report on our stewardship of the food resources entrusted to CARE as part of our country's commitment to end world hunger and promote development as well as to share with you our views on how future food aid legislation and policy can better address the needs of an ever changing world.

The Board of Directors of CARE which includes many national cooperative, service, farm, labor, and religious organizations, including the NRECA, the Grange, the National Farmers Union, the Credit Union National Association, the Cooperative League of the USA, the Salvation Army, the Adventist, the Baptist, the National Council of Negro Women, the General Federation of Women's Clubs, and the AFL-CIO asked that I convey to you, Mr. Chairman, Mrs. Roukema, and the Members of the Committee, our appreciation for the leadership role you played in passage of the Africa Famine Relief and Rehabilitation Bill. This supplemental emergency Bill sends a number of clear messages to the World: that America cares and that America continues to lead in responding to the tragic drought in Africa.

Mr. Chairman, as the Committee re-examines our long-term food aid policy, there are three factors which we ask the Committee to consider in its deliberations. A coalition of private non-profit organizations that program and manage the majority of P.L. 480, Title II, commodities refer to these three factors as the "3 Ms" or the three "musts". The first of the Ms has budgetary implications: it's the need for a graduated increase in the Title II minimum tonnage which currently stands at 1.7 million tons and has been straight lined for the past four years. You will recall, Mr. Chairman, that in 1974, the World Food Council established an annual global food aid target of 10 million tons, with the U.S. providing about half that target. That target of 10 million tons was largely based on the projected cereals gap (1975–80) in the poorest developing countries. The Congress weighed in heavily in supporting this objective and, by doing so, U.S. leadership not only pulled up the level of pledges from other donor countries but also brought in new pledges from countries which had never been involved before as donors. Mr. Chairman, as you and the Members of this Commitee review the cereals gap projected by USDA, FAO, and IFPRI for the next several years in the poorest countries of the world, you will note that under the most optimistic scenario, the developing countries will need a minimum of 15 million tons annually in food aid, the worst case scenario being about 30 million tons. The leadership clearly remains with the United States in responding to this gap, particularly with reference to establishing higher levels and a more food secure world. To help deal with this gap The President's Task Force on International Private Enterprise has recommended that "the P.L. 480 Food for Peace Program should be at least doubled to help avert starvation and alleviate poverty, expand developing country agricultural markets, and support private sector growth."

The second M factor which we ask the Committee to consider in its deliberations is multi-year commodity commitment. We believe it is important that Title II agreements negotiated by voluntary organizations and cooperatives (like the government to government and World Food Program Agreements) contain multi-year commitments to make commodities available. Multi-year agreements would allow us to plan staffing and other resource requirements more effectively, and to operate more efficiently. Additionally, it would allow us to secure stable commitments from our counterparts in health, education, rural works, and cooperative projects.

The third M we ask the Committee to consider is *monetization* or the authority to sell and barter Title II commodities. Operating organizations have long recognized that to be allowed flexibility to sell commodities for local currencies in a non-market disruptive fashion overseas would greatly strengthen their programs. Title II sales and barter have led to cooperative and dairy development projects in India, Indonesia, and Jamaica; have allowed CRS and ADRA to move emergency food in Ghana; and have permitted CARE to provide landless women laborers in a Bangladesh Road Maintenance Program with a stable wage—to give but some examples. Similarly, such activities as nutrition education, innoculation, primary health care, de-worming children, and providing potable water are frequently critical to the success of Title II Projects. We have demonstrated the effectiveness of such programs.

We request the Committee to consider explicit language which would permit PVOs and Cooperatives to sell and barter Title II commodities to better accomplish both developmental and humanitarian objectives as set forth in the legislation.

As you know, Mr. Chairman, the expanded Section 416 authority mandates the use of dairy and wheat and wheat products for distribution to needy people. Distributing these commodities in poor countries to the needy entails substantial costs which could be offset by giving PVOs discretionary authority to sell or barter a portion of the commodities. The money and services generated by this barter and sales provision could be used to defray inland transportation, processing, and nutrition education costs.

Additionally, regarding those Section 416 proposals which clearly raise the income level of the rural poor and in turn create demand for agricultural commodities, we would recommend that explicit language be included for 100% sales. The commodities available under Section 416 could also serve as a bridging mechanism for those countries recently graduated from the Title II Program, do not qualify for Title I because of income criteria, and are faced with serious debt servicing problems, but have well-established health and nutrition intervention programs which reach the poor. Unfortunately, we have not been able to convince the USDA that these represent legitimate uses of 416 commodities. The absence of explicit, mandatory language in either the authorizing or appropriations provisions precludes PVOs and Cooperatives from implementing programs which assist the poor in a developmental sense.

Based on CARE's field experience over the past 39 years in managing food aid programs, these recommendations would represent a positive restatement of our current food aid policy based on the probable short-term availability of 416 commodities. Commercial markets are not reaching the poorest countries or the poorest people because they simply do not have the currency to express demand.

Mr. Chairman, we would hope that all your deliberations would be guided by H. Con. Res. 737; it provides a beacon, a vision which reaffirms the values and beliefs for which this country stands. Because of the leadership and wealth of the United States, your decision here will impact on millions of people in villages and communities around the world as well as parliaments and international assemblies. Let it be a message which draws its strength from H. Cong. Res. 737.

"Resolved by the House of Representatives (the Senate concurring), That it is the sense of Congress that—

"(1) the United States reaffirms the right of every person in this country and throughout the world to food and a nutritionally adequate diet; and

"(2) the need to combat hunger shall be a fundamental point of reference in the formulation and implementation of United States policy in all areas which bear on hunger including international trade, monetary arrangements, and foreign assistance; and

"(3) in the United States, we should seek to improve food assistance programs for all those who are in need, to ensure that all eligible recipients have the opportunity to receive a nutritionally adequate diet, and to reduce unemployment and ensure a level of economic decency for everyone; and

"(4) the United States should emphasize and expand its assistance for self-help development among the world's poorest people, especially in countries seriously affected by hunger and malnutrition, with particular emphasis on increasing food production and encouraging more equitable patterns of food distribution and economic growth; and such assistance, in order to be effective, should be coordinated with expanded efforts by international organizations, donor nations, and the recipient countries to provide nutritionally adequate diet for all." As passed by the House September 21, 1976.

Thank you, Mr. Chairman. We would like to extend an invitation to you and the members and staff of the Committee to visit some of our projects overseas. You will find that our management and accounting system for both commodities and funds is second to none, and that these resources are monitored until used or expended. I will be happy to answer any questions you may have.

[FAO Press Release No. 85/22]

FAO Director-General Proposes New Measures for Better Use of Food Aid in Strengthening World Food Security

Rome, April 9.—FAO Director-General Edouard Saouma has proposed new measures for improved use of food aid in strengthening world food security and coping with emergency situations as well as promoting agriculture development.

The measures will be considered by the Committee on World Food Security of the U.N. Food and Agriculture Organization (FAO) at its meeting on April 10–17.

They form part of a 33-page document which emphasizes that food aid remains "a vital element in the quest for food security." It has an "irreplaceable role in relieving famine, as the grim events of Africa have starkly shown."

The stress, therefore, according to the document, is on realizing the full potential of food aid by linking it to other forms of assistance. Especially for agricultural development. This would contribute to all three objectives of world food security: stimulating production in food deficit countries, promoting stability of supplies, and ensuring greater access to food by those who need it.

Recipient countries can begin by recognizing food aid as an additional resource that can release foreign exchange or local currency to strengthen food security programmes as an integral part of overall development. "They need, therefore, to develop programmes and projects which use food aid for specific aims and have a clear linkage with other aspects of their food policy," the paper states.

They should create a "national food unit" to integrate their food security programmes and projects, develop "national preparedness plans," and set up "permanent national early warning mechanisms" to monitor domestic crop conditions. These could be linked to FAO's own global information and early warning system on food and agriculture.

Recipient countries should also commit adequate local (non-food) resources and "place higher priority on improving storage and distribution systems."

For their part, donor countries can "make food aid a more efficient instrument for food security" by planning ahead. This would "increase the stability and predictability of food transfers." Appropriate, predictable, timely and coordinated responses are essential to good management of food resource transfers, the study notes.

Citing that multi-year country programming was particularly important to developmental food aid, the study suggests the establishment by donors of targets for multi-year programming.

The importance of prepositioning food stocks and/or pre-shipment of food supplies in advance of possible emergencies to disaster-prone areas is emphasized, a step which was adopted by the United States last year.

To offset the lack of cash resources for the purchase of food aid commodities from developing countries, the study proposes the organizing of a "commodity exchange." Donors can provide commodities under this mechanism to a third party developing export country in exchange for local products, such as white maize, to be provided to designated recipients.

The paper suggests consultation on ways to find an internationally accepted mechanism for exploiting the possibilities offered by such "triangular transactions."

The study also recommends renewal of the 1980 food aid convention since the current one expires in June 1986. Renewal should aim to provide increased funds and greater food aid than the 10 million tons set down by the World Food Conference in 1974.

Food donor nations, which are not signatories to the convention, were urged to join.

A new food aid convention could also "specify unequivocally that all food aid supplied to low income countries . . . should be in grant form." This would ease the burden of long-term credits for food acquisitions. In addition, a new convention could increase the role of food aid in encouraging food production in developing countries by providing for a separate food financing "window," based on voluntary contributions or a share of commitments being paid in cash.

Referring to the serious problems encountered in mobilizing food supplies for the African emergency, the study proposes alternative mechanisms to deal with the problem. These included a new stand-by pledge of 1,500,000 tons of annual food aid for the International Emergency Food Reserve [IEFR], set up by the U.N. General Assembly in 1975, in addition to the reserve's existing annual target of 500,000 tons improvements in the emergency provisions of the Food Aid Convention (article IV) wider adoption of an interim system of national food reserves, and a food aid insurance scheme.

The study notes that food aid has come a long way since the 1950's when it was considered a constructive and convenient way of dealing with food surpluses. Over 100 countries now receive food aid, with a large share of the total going to drought-stricken sub-Saharan Africa.

"By and large, it can be asserted with confidence that food aid is better managed and presents fewer risks today than it did 30 years ago," the study says. "It offers some advantages originally unforeseen or underestimated, because of the different context in which the original concept was formulated and initially applied."

CATHOLIC RELIEF SERVICES,
U.S. CATHOLIC CONFERENCE,
Washington, DC, May 3, 1985.

Hon. DOUGLAS K. BEREUTER,
Longworth House Office Building,
Washington, DC.

DEAR CONGRESSMAN BEREUTER: As promised at the House Select Committee hearing on Food Aid and the role of Private Voluntary Organizations April 18, 1985, the following is a statement of policy by Catholic Relief Services in response to your questions concerning population growth and family planning:

CRS believes that population growth per se is not the problem. Underdevelopment is the primary cause of high birthrates in the developing world. Rapid population growth in turn exacerbates underdevelopment.

Poverty limits a family's freedom, ability, and motivation to choose fewer children. Children sometimes represent the only source of future security for parents who have no assured access to employment and basic services. Such families are thus behaving "rationally" when they choose to maximize the number of children they have. Lack of education can also limit parents' ability to control their family size, even if they are properly motivated to do so.

Poor distribution and overconsumption of resources and opportunities by nations and individuals contribute to the relative poverty of the developed world. A child born in a developed country such as the United States consumes 16 times more resources over his life time than a child born in a developing country. To address the population issue, one must look for means to improve the distribution of resources and eliminate absolute poverty.

CRS addresses population problems in the developing world with an integrated approach:

First, our programs are designed to generate employment and production among the most disadvantaged sectors and to enhance their levels of health, nutrition and education, particularly among women and children. Programs also introduce appropriate technology in rural areas. CRS supported activities seek to reduce inequality both within and among countries. Second, CRS promotes natural family planning efforts as a complement to our attack on underdevelopment.

Third, CRS attempts to educate Americans of their moral obligations to reduce human suffering and one of its primary causes—overconsumption by a few.

Sincerely,

ROBERT J. MCCLOSKEY,
Senior Vice President for External Affairs.

PREPARED STATEMENT OF MICHAEL S. GERBER, PH.D., AND CHRISTOPHER WOOD, M.D., AFRICAN MEDICAL & RESEARCH FOUNDATION

Dr. GERBER. Mr. Chairman. AMREF appreciates the opportunity to appear before this committee and looks forward to sharing some of our experiences with the members. We are especially appreciative because AMREF is a health agency and not a food agency. With this as a given, in the brief time allotted, we will attempt to do the following:

1. State what AMREF is;
2. Describe what AMREF has recently done to integrate immunization and MCH services with a feeding program Kenya;
3. State what we feel still needs to be accomplished in the integration of immunization and feeding programs in Kenya, and;
4. Comment on what resources are needed to effect integration.

Because of time constraints this morning, our presentation and projections reflect one specific project in Kenya and a potential target area in the same country. We

feel, however, that our limited involvement with integration could have application elsewhere.

AMREF is a private voluntary organization that has been carrying out health programs in East Africa since 1957. We are a professional health agency with a staff of over 250, implementing forty projects in Kenya, Tanzania, Uganda, Sudan, and Somalia. AMREF has also undertaken health programs in Ethiopia, Malawi, and Zambia. Our emphasis has been on long term health development.

Because of severe drought conditions in Kenya, for the past year AMREF's mobile medical team has been involved in setting up twenty feeding centers—specifically in Masailand and Kibwezi. Our mobile unit's primary responsibility before feeding had been immunization of under fives, immunization of school age children, and other MCH activities.

AMREF's involvement with food and the coordination of feeding and nutritional supplements with immunizations, is possibly somewhat different from examples of other organizations. As a health agency, we were already doing immunizations and were capable of carrying out an immunization service in difficult-to-reach areas. We therefore introduced feedings into an ongoing health program rather than the more typical situation of coordinating health services with an established feeding program. Perhaps the implications of this case might be examined more closely for future efforts at integration.

AMREF's recent famine support involved supplementary feeding of 30,000 under fives and their families. Health services involved both medical surveillance and immunizations. Our emphasis has been on nomadic and semi nomadic peoples in remote regions, groups especially vulnerable to recurrent famine and infection.

In reflecting on twenty eight years of health experience and our recent involvement in feeding programs, AMREF's staff feel there is a definite need for the development in Kenya of a larger scale comprehensive mobile nutritional and immunization service. Our own assessment has been reinforced through discussions with Ministry of Health personnel responsible for Kenya's Expanded Program on Immunization. The area identified for an integrated effort is northern Kenya.

The immediate concern comprises five districts: Isiolo, Marsabit, Garissa, Wajir, and Mandera. The area has a catchment population of close to 750,000. Health services are scattered and the region is poorly served from eight hospitals, ten health centers, and thirty dispensaries with no mobile outreach facilities. The indigenous groups tend to move and estimated immunization coverage is only nine percent. With the recent drought, cattle losses could be more than fifty percent and many people are destitute.

Mobile units can be developed in each of the five districts offering comprehensive family health, nutritional surveillance, immunizations, and health education. Feeding centers can be established when necessary. AMREF's staff would train government mobile unit teams who would then be supported by district management team consisting of a doctor, community nurse, nutritionist, health educator, and maintenance engineer. A maintenance workshop for equipment and vehicles would also be established.

Nutrition surveillance would give early warning of recurrent famine conditions to the Kenya National Food Program and the UN Office of emergency operations in Africa. For a five year program, capital costs would be approximately $280,000 and recurrent costs $2.3 million. Total cost is estimated at about $2.6 million. These figures do not include the cost of any food that might need to be distributed during the five year period.

Here with me today is AMREF's Medical Director, Dr. Christopher Wood, who is based at our operational headquarters in Nairobi. Dr. Wood has spent nearly twenty five years in East Africa. He lived for ten years in Tanzania and was instrumental in the development of a medical school and department of community medicine in Dar es Salaam. He joined AMREF in the early 1970's. Having worked with many of the key people in Ministries of Health from Ethiopia to Malawi, Chris knows as much or more about health problems in Africa than most. I will ask Dr. Wood to comment on some of the constraints in integrating feeding and immunization programs and how the constraints might be overcome. Chris!

Dr. WOOD. Mr. Chairman, I, too, would like to thank you and your committee for the opportunity to share with your some of our experiences from Eastern Africa.

As one who is living and working relatively close to the famine affected areas of Africa, I would like to start by thanking you and the people of your country for the assistance that has been sent to Africa. The current widespread and long lasting drought has tipped the scale against survival in the relatively harsh and underdeveloped environment in which many people live in sub-Saharan Africa. The appall-

ing consequences and starvation that have occurred in Ethiopia and other drought affected areas have aroused a level of interest and support not previously seen.

If we are to make the best ever of the current interest and support it is important to eliminate two misconceptions.

Firstly, though the effect of famine are widespread it should not lead people to overlook the enormous positive developments that have taken place over the last 20 years. To regard the whole African region and all its people as underdeveloped and starving is both erroneous and insulting. It is apt to provoke reactions which are not conductive towards cooperative remedial and development plans.

Secondly, the current adverse weather conditions are not the only cause of the present situation. The rain which is so desperately needed is not going to put everything right. Raising the standard of living and increasing the chances of survival for a normal space of life requires long term development of education, agriculture, health and the economy.

The challenge that faces us is thus to get the maximum long term development benefits out of the response to the current famine crisis.

In the long run, food aid—however essential now is not the whole answer, It is therefore important whenever possible to piggy-back development activities onto the food programme, and I would like to outline some health activities which I believe can and should be added where possible.

First let me say that famine very seldom starts suddenly and without warning. The development of appropriate warning systems, coupled with methods for monitoring the effects of food aid programmes are important.

In Kenya, the government sought the assistance of voluntary agencies, such as AMREF, to help in the implementation of emergency food distribution. We accepted the responsibility for three areas in which we already had health care programmes. We established a community monitoring system based initially on cases of malnutrition who attended health centers and dispensaries and then on weight-for-height measurements of a sample of school children and those attending mobile clinics. In this way we could see when occasional cases of malnutrition in problem families became a more widespread problem in the whole community as resources were finished. Thus before obvious malnutrition became widespread a supplementary feeding programme was established. Visiting reporters and cameramen recently back from Ethiopia were somewhat disappointed at the lack of sufficiently dramatic copy or pictures available—because remedial action had been taken in time! Many areas of Kenya did receive reasonable rains at the end of last year and within 3–4 months beans and maize have begun to be available again. In the pastoral areas many had lost their whole herds of cattle and the regrowth of grass did not help in the absence of cows to feed on it. The process of re-stocking is much slower than re-planting and food aid is still required.

Integration of various different types of health and social service is an important principle. In the same way that a woman no longer has to go separately to a baker, a butcher, a grocer and a dairy, but goes instead to a supermarket; so the integrated maternal and child health clinic has became a health supermarket. There she and her child can get treatment as well as nutritional advice, immunization, antenatal care and family planning services.

As these services need to be available on a long term and universal basis it is not desirable to provide them exclusively as part of a short term and geographically limited feeding programme. However as these services are by no means universally available, there is every advantage in boosting any of them that can be extended as part of a feeding program. In particular, immunization can fairly easily be carried out. An appreciation of the inter-relation of infection and malnutrition makes this ever more desirable.

The additional equipment—base refrigerator, cold boxes, syringes, needles and droppers, the supplies—vaccines, fuel, and the staff—probably a nurse, is not an expensive or difficult addition to make to a feeding programme.

The incorporation of health and education activities in emergency food distribution programmes is clearly possible and desirable and should be undertaken whenever possible.

This may be done either by encouraging food agencies to enlist the help of health workers or by getting health agencies to become involved in food distribution. The relative advantages of these two methods depends on local circumstances.

An account and costing of how an agency such as AMREF could assist in a nutrition and health development programme in one of the large semi-arid areas of Kenya has been outlined by Dr. Gerber.

PREPARED STATEMENT OF HANNAN EZEKIEL, RESEARCH FELLOW, INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE

Since its inception, food aid has played a valuable role in feeding the hungry and promoting economic development in developing countries. Its successes in the countries in which it was initially deployed, notably in South Asia, are now taken for granted. It is important, however, to recognize that there were often strong criticisms of food aid to these countries and considerable despondency about it effects even among those favorably disposed towards it.

Critics argued that food aid was wasteful and ineffective, that it encouraged governments in those countries to adopt and maintain faulty development policies and that food aid had itself a direct disincentive effect on domestic food production. Even those sympathetic to food aid in principle often felt confounded by the continuing difficulties the beneficiary countries faced. Large amounts of food aid and other assistance did not appear to produce even a dent in their problems. More than once, in taking of countries like India in relation to food aid, terms like "bottomless pit" were liberally used. There did not appear to be light at the end of the tunnel.

Now that these countries have made significiant progress in achieving self-sufficiency and even become cereal exporters or have developed rapidly in other ways so that they are capable of paying fully for commercial cereal imports, the dark forbodings that were freely expressed at the time about the prospects of these countries have been forgotten. However, almost identical statements are now being made about the countries of Sub-Saharan Africa, to which the focus of attention is now turned.

There is no question that the food problems of Sub-Saharan Africa are much more intractable than were those of Asia and Latin America. After having suffered from neglect and even perverse policies, they have forced themselves on world attention through massive and recurrent famines in which millions have been put at risk of starvation. In this situation, if deaths from starvation and disease in large numbers are to be prevented, huge quantities of food have to be provided at short notice under extremely difficult logistical conditions.

All indications are that difficult food supply conditions will continue to prevail in Africa for many years to come. Trend rates of growth in food production are far below rates of growth in population, which have risen sharply in recent years. The food supply gap is therefore bound to widen. Given other economic conditions, it seems unlikely that these countries will be able to pay for the cereal imports needed to fill this gap or that indeed the people in these countries will be able to pay for their food needs at market prices if such imports are somehow financed. Food aid to these countries will have to increase substantially and steadily even on the basis of trend requirements, while fluctuations in production brought about by natural disasters and other factors will create an increasing need for large emergency assistane. Food aid will thus be needed in increasing quantities in these countries in the foreseeable future to meet current needs, i.e., in order to prevent hunger and starvation.

Food aid can, however, also play a critical role in bringing about rapid economic development and thus in creating the conditions under which the source of the hunger and starvation can be tackled. Ultimately, this source is low incomes and poor agricultural output.

It is critically important to ensure that food aid not merely feeds the hungry and the starving but helps to create the conditions under which ultimately no one is hungry and starving. The increasing pressure of demand for emergency food aid must not therefore be met at the expense of developmental food aid. That would be a prescription for perpetuating and accentuating emergency food situations. Rather, the increasing demand for emergency food aid must be taken as an indicator of the need for developmental food aid. The rising need for emergency food aid in Sub-Saharan Africa is a signal that there is a large and urgent need for developmental food aid to deal with the underlying conditions that breed food shortages.

In this broader context, food aid can promote economic development or somewhat less broadly promote increases in food production. It can also concentrate more directly on preventing the specific emergencies that create crises. Such measures aimed at preventing disasters must be clearly distinguished from measures of disaster preparedness, though some of the latter may also have subsidiary effects of the disaster-prevention type. Improvement of the transport infrastructure in a remote area may not only help to take food into that area in times of emergency but reduce costs of marketing food surpluses produced in that area and thus create a powerful incentive for producing more food. Good roads will also make it possible to supply fertilizers and other inputs to that area and to take extension services to it and thus

facilitate food production increases. All these effects, however, will not be produced, or at any rate will not be produced rapidly enough if the full implications of any such project is not clearly understood. It is only if all these possible effects are fully recognized from the very beginning that the complementary measures that are necessary to make these realizable at a rapid pace can be taken. That would often call for additional food aid tc be provided for programs and projects that are necessary to bring out the positive externalities of planned investments.

Promoting agricultural development in the countries of Sub-Saharan Africa calls for programs, projects, and policies that are not identical with those that proved themselves in Asia. The conditions in Sub-Saharan Africa are often different in many fundamental respects from those that were—prevalent in Asia. There are, however, many lessons to be learned from the Asian exprience. Despite wide differences in conditions, it is interesting how often the Asian lessons are with appropriate modifications, applicable to the conditions in Africa. One can, for instance, underline the importance of strengthening the physical infrastructure, of developing and strengthening local institutions, of achieving the technological breakthroughs that will raise the productivity of the soil and of labor, and of adopting appropriate price policies for foodgrains, for agricultural inputs, and for foreign exchange. In many of these, one would start at a lower initial level. The effort involved may therefore be greater and the time taken to achieve results longer. The basic approach would not, however, be different. More than anything else, one would, however, have to look for synergistic effects—complementarities among investments and programs—so as to achieve larger and quicker results. Food aid must be woven into appropriate food and development strategies.

Without going into this question any further, the point can be made that developmental food aid on a larger scale, combined with supportive programs and policies, may help to rectify the situation of imbalance between growth of food production and growth of population in the countries of Sub-Saharan Africa.

Food aid to Sub-Saharan Africa therefore needs to be enlarged. The measures that are already under way to improve the effectiveness of emergency food aid must be strengthened. Measures to improve disaster preparedness must certainly be taken to ensure that emergency food aid is provided when and where it is needed. Special measures to prevent disasters must be conceived and implemented on a basis that is complementary on the one side with disaster preparedness and on the other with developmental measures to promote increases in food production among low-income small farmers.

In drawing this picture of the role of food aid, it is important to ensure that the shift of focus to Sub-Saharan Africa does not result in the neglect of the problems of poverty and hunger in Asia and Latin America. The fact that some of these countries have achieved a measure of self-sufficiency in food and even become exporters of food should not mislead us into thinking that they have eliminated poverty and hunger. It is true that they have succeeded in increasing food production at a relatively rapid rate through a series of measures. The resulting growth in food production has increased food supply to the point where it equals or exceeds the demand for food at current levels of income. However, in many of these countries, with a total population larger than that of Sub-Saharan Africa, the supply of food is still much less than the need for food. Poverty continues to be widespread and hunger prevails. In these countries, rapid increases in income, particularly among those who are poverty stricken at present, will increase the demand for food and may even increase it more rapidly than food supply. These countries may then again become net importers of food, but will by that time be much more capable of paying for needed imports of food on a commercial basis. At this stage, therefore, they still need developmental food aid.

That is why the increase of food aid to Sub-Saharan Africa must not be brought about through a reduction in food aid to these countries of Asia and Latin America. In the prevailing context, this aid, which could even be increased, must be even more carefully programmed than before to bring about those developmental changes that are necessary to eliminate poverty and hunger.

Whether in Sub-Saharan Africa or in other developing countries, in addition to emergency food aid and developmental food aid, nutrition and feeding programs would continue to have a role. They help to prevent current hunger of the nonemergency type. Their utility is not questioned, though efforts can be made to integrate them into developmental programs and projects. The need to maintain and even enlarge such nutrition and feeding programs strengthens the case for enlarging the volume of food aid and for directing it more powerfully and effectively in the future than it has been in the past.

Experience has shown that food aid which is not for emergency purposes cannot be effective if it is confined within the timeframe of single budget years. Systematic planning of food aid projects and programs of a developmental nature is not possible without a reasonable assurance of continuity in the availability of that aid. Continuity is even more important if food aid is to be used on a systematic basis to bring about long-term changes within the organized framework of a food and development strategy. Such a strategy involves basic changes in economic policies which often produce adverse effects in the short run. Food aid on an assured basis through the period of transition is the minimum requirement for the implementation of such policy changes, no matter how good they may otherwise be in themselves. Even small individual programs and projects cover a period of years for which assistance must be assured.

This is a plea for multi-year planning of food aid for all types of programs. Conditions must be created for increasing the effectiveness of food aid by making it possible for both those who provide it and those who receive it seeing it in a longer-time perspective, which multi-year programming alone can provide. In practice, some degree of continuity is provided by annual renewal of commitments, but the sense of uncertainty that exists under such conditions makes it difficult to engage in a vigorous pursuit of a long-term food strategy and of a planned and coordinated attack on the food problem.

I have made no attempt here to quantify the magnitudes involved. The Committee will have before it more than adequate data on the subject. I have tried very briefly to emphasize some of the key issues that need to be kept in mind in reviewing U.S. food aid legislation at this point in time.

PREPARED STATEMENT PRESENTED BY W. GLENN TUSSEY, ASSOCIATE DIRECTOR, WASHINGTON OFFICE, AMERICAN FARM BUREAU FEDERATION

The American Farm Bureau Federation is the nation's largest general farm organization with a membership exceeding three million member families in 48 states and Puerto Rico. We appreciate the opportunity to appear before the Select Committee on Hunger regarding food aid programs.

Mr. Chairman, Farm Bureau, the organization of U.S. farmers whom I represent, has favored and consistently supported PL 480 legislation, the overall effect of which has been useful in alleviating hunger and malnourishment. Since the inception of the PL 480 Program in 1954, over $40 billion worth of farm commodities have been shipped to developing countries under the Program. This Program has not only benefited malnourished people, but it has enabled many countries to develop their economies to the extent that they are now on a good economic basis. Many of them are members of the "billion dollar club", that is, their economies are strong enough to enable them to become solid trading partners with the U.S. with the resources to buy over a billion dollars worth of agricultural commodities annually. Examples of such countries are Italy, Spain, Taiwan and Korea. PL 480 not only has served humanitarian objectives, but also has enable countries such as those mentioned to obtain an economic level which enables them to upgrade their diets—which often means markets for U.S. farm products. Therefore, Farm Bureau continues to support PL 480 assistance not only for humanitarian reasons but also for market development purposes.

The food problem in developing countries is frequently characterized by a lack of resources, a lack of technology and inadequate storage and distribution systems in those countries. The problem has been worsened by rates of population increase which frequently out-distance rather impressive levels of agricultural development. It is easy to see how a 1 or 2 percent gain in agricultural production each year can be wiped out by a population increase of 3 or 3½ percent annually.

If one looks back at the last 50 years you find more concern, at least in America, with problems, of food abundance or surpluses than with food shortages or scarcity. More problems with depressed farm prices and surplus production have occurred than with high farm commodity prices and shortages.

World market prices are depressed and below the cost of production for many farmers. Many U.S. farmers are in serious financial difficulty, with farm foreclosures increasing.

How could this be happening in a world where populations have increased rapidly in the last 20 years and where food deficits exist in many countries? Certainly many people, perhaps 500 million or more, do not receive adequate nutrition. In Africa and some other areas, many actually experience hunger.

The long-term answer to the problem of hunger is higher real income levels in poor countries and more efficient agricultural production and distribution throughout the world. In the meantime, humanitarian considerations require that food aid be extended to people, especially in emergency situations.

Considerable attention has been given to the problem of world hunger and malnutrition during and since the World Food Conference which was held in Rome in 1974. Subsequent to that Conference, some developing countries began to direct additional resources into agricultural development programs. The U.S. and other industrial countries have participated in the effort to help close the "food gap" being experienced by a number of developing nations.

Mr. Chairman, I would also like to point out that humanitarian food aid assistance is made more expensive to the American taxpayer by U.S. cargo preference law requirements. Consequently, this added expense curtails the amount of food assistance that can be made available to hungry people. This is obviously true in times of budget restraint as has been the case for a number of years and will likely be the case well into the future.

Under the provisions of the U.S. cargo preference law, 50 percent of government generated cargo, such as Food for Peace shipments, must be transported on American flag vessels. Almost invariably the rates on American flag vessels are higher than the going market rate for ocean transportation. Thus, through this captive transportation market, U.S. flag vessels receive a subsidy, which in the case of shipments under PL 480, Title I, is called the ocean freight differential.

At the time of the passage of the cargo preference law and the setting up of this subsidy arrangement, it was not envisioned that the ocean freight differential (subsidy) on shipments of government generated cargo under the Food for Peace Program would amount to so much money. The cost of the ocean freight differential; that is, the cost of the American flag rate above the going market rate, amounts to about $25 per ton on PL 480, Title I shipments of food to developing countries or a total of about $100 million. This is paid with CCC funds which could be utilized to purchase about $100 million worth of food to alleviate hunger and malnutrition problems.

Mr. Chairman, U.S. food assistance efforts should not be burdened with these extra costs of cargo preference requirements. This was recognized recently when the Commission on Agricultural Trade and Export Policy included among its recommendation of action needed to address the current and future export situation the following recommendation on cargo preference: "The Commission recommends that Congress immediately enact legislation to exempt all agricultural exports from existing cargo preference requirements."

Farm Bureau believes as does the Commission on Agricultural Trade and Export Policy, that now is the time to seek an all-out exemption of agricultural commodities from requirements of the cargo preference law, and we are working toward that end at this time.

Congressman Bereuter, who is a member of the Commission on Agricultural Trade and Export Policy, has introduced H.R. 1760, which amends section 5 of the CCC Chart Act as follows:

"Export activities of the Corporation under this Act, and activities of the Corporation or the Department of Agriculture to promote the export of agricultural commodities under any other Act, shall not be subject to cargo preference requirements."

Farm Bureau strongly supports H.R. 1760.

In 1983, Robert B. Delano, President of the American Farm Bureau Federation, served on the Commission on Security and Economic Assistance which was chaired by Frank C. Carlucci. During his tenure on that Commission, Mr. Delano addressed several concerns of this Commission including multi-year food aid programming and expansion of food assistance.

On October 3, 1983, Mr. Delano wrote to Chairman Carlucci asking that increased PL 480 assistance be made available to address world food problems. Mr. Delano's letter is quoted below:

OCTOBER 3, 1983.

Mr. FRANK C. CARLUCCI,
Chairman, Commission on Security and Economic Assistance, Washington, DC.

"DEAR MR. CHAIRMAN: I regret that I was unable to attend the October 3 meeting of the Commission. However, I have received the draft report submitted to all Commission members by Mr. Wilhelm, and I should like to make the following comments:

"I was struck by the facts pointed out in the section on population, which points out the "sharp jump in population which in recent years often outpaces the increase

in agricultural production." This fact should be related to the bold objectives to address world hunger announced at the World Food Conference almost 10 years ago.

"Needless to say, much hunger and malnutrition still exists. The population data just cited, compiled with the current economic crisis in many countries, indicates that the Commission should reaffirm the U.S. objectives relating to world hunger, which were stated at the World Food Conference. This should be followed, I believe, by a Commission statement which makes the point that the highest priority of U.S. "foreign cooperation" programs shall be given to addressing the world food and agricultural situation.

"I note from the report that while total "foreign cooperation" programs in 1983 were 97 percent higher than for the 1968–1972 level, the increase for Public Law 480 was only 13 percent.

"I believe that the Commission should recommend that Public Law 480 assistance, which now is comprised of less than 10 percent of total 'foreign cooperation' programs, be increased to at least 25 percent of such programs. (Unless the Secretaries of State and Agriculture deem that such size program is not necessary to address world hunger and malnutrition.)

"Food assistance, as you know from your experience as Ambassador to Portugal, can be used frequently to generate needed funds in a recipient country. This can be done without a transfer of U.S. dollars to the foreign government, which is an important bonus because of our balance of payment problems.

"Mr. Chairman, I will appreciate consideration of these comments and ask that they be circulated to the other Commission members."

Sincerely,

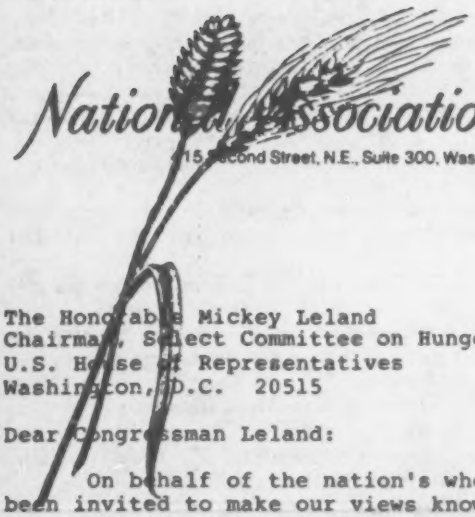
ROBERT B. DELANO,
President.

In another letter to Chairman Carlucci and also at the Commission meetings, Mr. Delano recommended multi-year food aid programming as we would have more effective food and economic assistance programs in Public Law 480 recipient countries.

In legislative farm bill proposals for 1985, Farm Bureau recommends a provision to provide additional export outlets while helping meet the food needs of developing countries. Under Farm Bureau's proposal, the minimum tonnage to be shipped under Titles I, II and III of Public Law 480 would be 10 million tons (up from current levels of about 8 million tons). All Public Law 480 shipments would be exempted from cargo preference laws.

Mr. Chairman, regarding the monetizaiton of food aid commodities, we feel that there are certain situations in which this would be advisable in order to have more effective food assistance programs. This would seem especially true in situations where funds are lacking or limited for use in conducting substantially larger programs because of increased food needs. In other words, limited financial resources could become a severe problem that could be alleviated by the monetization of some of the food commodities.

Mr. Chairman, we appreciate having had this opportunity to offer some thoughts on food aid programs, and I would like to assure you that Farm Bureau, which has taken a great deal of interest in the Public Law 480 Food Assistance Program since its inception in 1954, will continue its interest in carrying out the worthy objectives of that legislation.



National Association of Wheat Growers
415 Second Street, N.E., Suite 300, Washington, D.C. 20002, (202) 547-7800

April 17, 1985

The Honorable Mickey Leland
Chairman, Select Committee on Hunger
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Leland:

On behalf of the nation's wheat farmers I am honored to have been invited to make our views known concerning food aid programs.

American wheat farmers are strongly committed to food aid programs which meet both short and long term needs of recipient countries. Foremost among our concerns, just as it is with other Americans, is the need to meet immediate humanitarian food needs in those parts of the world most adversely affected by famine.

However, if we are to lessen the incidence of famine and starvation in the future, we will need to initiate steps now which will strengthen the food security of those nations most susceptible to food shortages.

Wheat farmers, as businessmen and women, are interested in finding customers for our product. This has become increasingly difficult because many of the world's developing nations remain mired in economic stagnation. As long as many of these nations show little or no economic growth there is less hope of them becoming cash customers. We feel that creative food aid programs can help nations improve their food security situation and contribute to their overall economic development. As their economies expand we may be able to sell them that portion of their food needs which they cannot produce domestically.

Before stating what we see as the best options for meeting the short and long term food needs of certain countries, I feel it necessary to put in perspective the dimensions of the U.S. wheat supply situation. This is important as we see the use of government-owned wheat stocks as a key component of any food aid program. The USDA currently estimates that stocks of U.S. wheat at the end of next month (May 1985) will total just over 38 million metric tons, (mmt). Of that amount approximately 11 mmt will be held by the U.S. government's Commodity Credit Corporation (CCC). The FOB value of those 11 mmt at today's prices is approximately $1.6 billion. Put another way, this 11 mmt represents four times the amount of wheat presently consumed per year in Ethiopia, Sudan, Angola, Chad, Burkina Faso, Mozambique, Mauritania, Mali, Tanzania, Kenya, Niger and Somalia.

We strongly support the increased use of Section 416 authority of the Agricultural Assistance Act which provides for donation of U.S. government-owned stocks to combat malnutrition while reducing surplus supplies. In order to realize the greatest impact and efficiency of this program it should be amended to become a multi-year program with clear developmental strategies--to simply donate food without addressing future developmental goals could be detrimental to improving a nation's economic condition. With stocks of U.S. wheat and other commodities currently at such high levels, we see no reason why the Secretary of Agriculture should not be required to make available to needy nations no less than 5 percent of available CCC-owned commodities under this program. It may also be desirable to allow Private Voluntary Organizations (PVO) to monetize a set percentage of the commodities for local currency which is needed for other activities such as support for child immunization programs.

Finally we feel that any increased use of Section 416 authority as a means to combat malnutrition and reduce surplus food stocks should be carried out in addition to existing P.L.-480 food donation programs. To simply create a new program using Section 416 authority and then have it administered by the P.L.-480 apparatus with no new funding would accomplish little.

In addition to the increased use of Section 416 authority we also strongly favor using the GSM-301 Intermediate Credit Program, administered by the USDA's Office of the General Sales Manager. Unfortunately this program has not been funded, except for a small project since its inception.

The GSM-301 program is designed to provide intermediate-term credit to developing countries for the import of U.S. agricultural commodities on commercial terms. Financing can be provided for 4-10 year periods at commercial interest rates. A 15 percent down payment may be required under this program. The loans are to be repaid in dollars. The program is designed to provide export financing for middle and higher income developing countries that are not eligible for P.L.-480 and who do not find short-term credit (3 years or less) attractive.

We view the GSM-301 program as a means to expand commercial sales of agricultural products and to promote foreign market development while simultaneously increasing a nation's capacity to store and process domestically-produced and imported food.

A country can receive GSM-301 financing provided it uses the local currencies generated from sale of GSM-301 financed commodities to build approved infrastructure that will facilitate agricultural imports. Acceptable projects could include port facilities; bulk grain unloading, handling and distribution facilities; feed and flour mills; slaughter and freezer plants; cold storage units; soybean processing plants; vegetable oil refineries; livestock herd upgrading; and expansion and modernization of existing facilities. The GSM-301 program could be an important bridge for those countries who are not eligible for more generous food aid programs such as P.L.-480 or Section 416 but who are not yet fully able to import their food needs on normal commercial terms.

In closing, I would like to state that wheat farmers along with, I am sure all of you, see this as a critical moment in our history for dealing with world hunger. At a time when starvation is staring millions in the face, the United States should not sit atop its mountain of food surpluses and not take decisive action to alleviate further disaster.

While the U.S. has contributed greatly to food aid programs in the past and continues to do so, we see no reason why we cannot do more.

The programs we have discussed in this statement will serve to help meet pressing food aid needs while insuring against widespread famine in the future.

Sincerely,

Henry Neshem

Henry Neshem
President

PREPARED STATEMENT OF COLLEEN WESTBROOK, PUBLIC POLICY AND RESEARCH COORDINATOR, OXFAM AMERICA

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I am Colleen Westbrook, Public Policy and Research Coordinator for Oxfam America, an international development and disaster relief organization based in Boston. We fund local, grass roots groups in poor countries in Asia, Africa, and Latin America. Oxfam America neither seeks nor accepts government funds nor food offered under the provisions of Public Law 480. We therefore view P.L. 480 from the outside — from our observations of its impact on the poor — rather than from the inside, as a participant in the program.

As a development agency, we are aware that the reauthorization of P.L. 480 is taking place amidst a new American consciousness. The spectre of Ethiopia and deteriorating food conditions all over Africa have reshaped U.S. public opinion regarding development assistance, especially food assistance. The American public expects and demands that development assistance — both public and private — be responsive and effective. Today to speak of relief is to be asked about recovery; to pledge food is to be asked about development.

The reauthorization of P.L. 480 raises concerns about its use in promoting equitable development. With over a half billion metric tons of food aid being poured into Africa this year alone, we need to consider whether food aid is addressing the root causes of poverty and malnutrition or whether it is only a stopgap measure — at worst an obsstacle — in the fight to end world hunger. In light of this, the appropriateness of food aid as a development tool — as a means of both increasing food production and strenghtening the

agricultural sector — becomes most pressing. Africa, the only continent in which per capita food production is declining, is fast becoming a test case for the effectiveness of U.S. food assistance.

P.L. 480: Motivations and Title I

Before examining Title II, which has been widely considered development-oriented food aid, let me review just two motivations behind the P.L. 480 program adversely affecting its role in development:

1. **Expansion of U.S. international trade and the opening of new markets for U.S. exports.** The launching point of P.L. 480 in the 1950s, increasing foreign demand for U.S. farm products is still a major priority and rationale for P.L. 480's reauthorization. From a development perspective — the desire to increase local agricultural production and promote self-reliance — this objective of P.L. 480 often proves an obstacle in that:

a) The urban middle class are the main benefactors. A large proportion of food sold under Title I goes to the urban middle class who can afford to buy it. This cultivates a taste for U.S. agricultural products, decreasing urban demand for locally grown food, while increasing demand for imports.

b) Food prices are kept low. Recipient goverments use U.S. food aid to keep food prices low, again benefitting the urban populous. This is part of the argument against the effectiveness of food aid as a development tool in that it acts as a disincentive: farmers and the rural poor not only fail to receive food aid, but have their earnings and purchasing power undermined by its use. Local agricultural production suffers as a result.

c) Food aid acts as a buffer against implementing programs to increase local food production. This is the second part of the disincentive argument: U.S. food aid promotes a false sense of "food security," allowing governments to put off funding programs aimed at the agricultural sector.

d) Monies generated in-country from the sale of food aid do not necessarily benefit the people most in need. Currency generated from the sale of Title I food aid usually supplements the general budget of the recipient country. There are not adequate guidelines for the use of these funds.

Peasants suffer twice from the provision of food aid: 1) they fail to reap its benefits and in fact pay for its subsidy of food prices and 2) it often proves a disincentive for increasing local agricultural production and instituting equitable access to resources. Food aid, then, does not reach or benefit the vast majority of people in developing countries who are most affected by food insecurity — peasants, the rural poor who rely on the land and their own skills and resources for food. Instead, it benefits the priveleged minority — the urban middle class, civil servants, and the military.

2. Promotion of U.S. foreign policy. A review of recipient governments shows that P.L. 480 has gone predominantly to nations either strategically important to U.S. interests or friendly to U.S. government policies. From a development perspective, this skews the effectiveness of U.S. food aid:

a) U.S. policy interests, not in-country food needs, become the overriding concern for providing food aid. The results are that countries not within the U.S. sphere of influence or of strategic importance are often overlooked in the food aid scramble. Egypt, for example, a country of major importance to U.S. interests in the Middle East, but with little or no critical food need, receives a major proportion of U.S. food aid. At the same time, Ethiopia, perceived as an "unfriendly" nation, until recently received no Title I and very little Title II assistance, despite serious and well-documented need since at least the fall of 1982.

b) Development cannot be imposed from without, either by private voluntary agencies or the U.S. government. For true development and self-reliant programs to be instituted, we need to be in dialogue with a spectrum of spokespersons from countries

receiving aid. This is particularly true in Africa where the Lagos Plan of Action is a testimony to African leaders' desire to gain food self-sufficiency. Unfortunately, food security is not always compatiable with U.S. foreign interests. Mozambique, suffering from a three-year drought, did not receive substantial U.S. development assistance until it signed the Nkmoti Accord with South Africa and came into line with the Reagan administration's Constructive Engagement policy.

These two motivations — opening of new markets and promoting U.S. foreign policy — are major forces behind Title I food aid. Title I can only be considered development aid if one believes that aid to the industrial and formal sector is the key to self-sufficiency for the developing world. True development looks to vigorous peasant-based strategies which will benefit the majority of people in a developing country. Food aid is not enough. The root causes of poverty are not lack of food, but lack of access to land, productive resources, and input into the development planning process.

Oxfam America does not advocate reauthorization of P.L. 480, Title I specifically because peasants neither benefit from it nor have a voice in its use or implementation.

Title II: Development-Oriented Assistance?

Some of the above concerns can be raised about Title II assistance. As we are all too well aware, many countries in Africa face a food crisis. Yet an examination of Title II assistance given to African countries as compared to the U.N. Food and Agricultural Organization's projected food needs shows the influence of U.S. foreign policy. (See Table I.) The largest recipients of project food aid are not always the neediest countries in Africa; needs assessment is not the only guiding factor for allocation of Title II assistance.

But even if this were not the case, there is no natural link between U.S. agricultural surpluses and the ending of world hunger. Lack of food is not the real problem, poverty

is. Behind famine and drought in Africa are economic, political and social conditions; behind the drought is the already pervasive poverty of the majority of African people.

To close the food gap in developing countries, U.S. assistance needs to:

1) strengthen the agricultural sector by persuing a vigorous peasant-based strategy which will help the rural majority and those subject to food insecurity to be more secure. This would include support for sound pricing policies, credit schemes, agricultural extension programs, and research on basic grains.

2) reduce poverty by providing access to basic resources for peasants and small food producers, including access to land and credit as well as inputs such as seeds, tools, fertilizers, and draft animals.

It is Oxfam America's experience and the experience of our sister agency Oxfam U.K. that project food aid, food administered by private voluntary agencies and multilateral institutions, can never alone achieve these results. We must be honest with ourselves that free food is only charity, it is not a vehicle to self-reliance, to food self-sufficiency.

Comments on Proposed Reforms

Food aid to be effective needs to be viewed as part of an overall food security strategy — it needs to be a component of development projects, not the sole ingredient. In light of this, we offer the following comments on proposed reforms to Title II assistance:

1) **Monetization**: In theory monetization of food aid addresses the need to strengthen the effectiveness of food assistance by combining it with development aid. As proposed, however, monetization needs to be weighed against the negative impact of selling food on local markets:

a) Title II, Section 207 (a)(1) language on monetization needs to be more concrete. As proposed, the 25 percent monetization language does not recognize the varing abilities

of in-country markets to absorb large quantities of food assistance without depressing local prices. While some large American private voluntary agencies claim success with monetization of food aid, especially in India, we have seen no convincing evidence that this experience can be generalized to other developing countries. A way to deal with different in-country circumstances and needs would be to evaluate each country and set up a specified amount for sale of any given commodity. If these specified amounts cannot be determined on a country-by-country basis, then a figure lower than the proposed 25 percent is needed, preferably around 10 percent.

Likewise, Title II, Section 207 (a)(2) should be modified to read "the administrator . . . is authorized to approve sales for local currency of agricultural commodities exceeding 10 percent of the commodities . . . ." This would ensure periodical reviews of monetization and its effect on recipient countries. Recognizing the possible benefits of monetization, this language leaves open the ability to monetized more food assistance if the need and absorbtive capacity can be documented.

b) Title II, Section 207 (a)(1), regarding the role of voluntary agencies, needs to be strengthened. The proposed language, "in selling agricultural commodities voluntary agencies shall take all reasonable steps, including appropriate timing and selection of commodities to be monetized, to avoid substantial disincentives to food production in the recipient country," will not ensure adequately against lower prices for locally grown foods. "Reasonable steps" leaves the interpretation of reasonableness up to the individual agencies. Structurally its appears to put agencies in a position where their need to sell food to subsidize their development projects may encourage them to sell larger amounts of food for longer than circumstances demand. The language also should be modified to require input from governmental and private recipients as well as local marketing boards.

2) **Monetary Resources**: Provision of direct cash resources is preferable to either monetization or direct food aid. Consideration should be given to raising the proposed 10 percent.

3) **Minimum Tonnage Levels**: It is Oxfam America's position that minimum tonnage levels serve no purpose. A minimum level only engrains a surplus-motivated versus a needs approach to providing food aid. Food aid should only be allocated on a needs assessment basis and must not be dictated by U.S. agricultural surpluses or other motivations.

4) **Local Food Reserves**: The positioning and storing of grain overseas is a good concept. Resources, however, should be made available to pay for storage and transportation so that local food surpluses do not have to compete with U.S. food aid for storage facilities and precious resources.

Food Aid Within a Recovery Context

The food shortage in Africa — estimated by the Food and Agriculture Organization (FAO) as 6,944,000 mt tons — will not be solved solely by providing food. If one looks for "solutions," then one must acknowledge first that the crisis will be continuing and that efforts must be sustained over the long haul. Second, one must realize that food aid is effective within a relief situation, but has limited impact beyond that. Third, that food aid's effectiveness in emergency situations is contingent upon its place in a recovery plan. Food alleviates hunger today, recovery assistance prevents hunger tomorrow.

Thus within certain guidelines, short-term emergency relief aid is the most effecitve use of American food assistance:

1) An emergency should be defined as an event which affects food availability. This definition is necessary because a natural disaster does not mean automatically a disruption in the local food supply. A case in point is the 1976 Guatemalan earthquake. Local food grains were available a short time after the earthquake. U.S. food aid was unnecessary and served only to depress local grain prices, thus hampering recovery efforts.

2) Food assistance needs to be both adequate and timely. Unfortunately, we are in the position of asking "what if" in the case of Ethiopia: What if food aid was sent in the fall of 1982 when the FAO first documented the food shortage?; What if U.S. food aid sent in FY 83 and 84 had been adequate? To avoid this situation in the future, U.S. food aid must be sent when the need is recognized.

3) Food aid should be both planned and coordinated to ensure it benefits in-country recovery schemes. Planning and coordination should ensure that food reaches people when they need it, not after the crisis has reached momentous proportions.

4) Relief must be accompanied by recovery assistance. Food aid only relieves hunger for a short-time. In order for it even to be considered development or recovery assistance, it needs to be combined with seeds, tools, and draft animals. Dumping food into a country with no plan for its use, effect, or role in an overall recovery scheme is irresponsible. In Ethiopia, good planning would ensure that people receive the resources necessary to leave feeding camps and return to their homes to plant for the June rains.

5) A reasonable but flexible cutoff date for the provision of food aid is absolutely necessary. In order for food aid to be effective within a recovery plan, it needs to be gradually phased out, so people can begin their planting. Food aid which is either late or provided for too long a time only reinforces the permenance of relief and feeding centers.

Toward Strengthening U.S. Emergency Response

Oxfam America recommends strenghtening the provision of U.S. emergency food aid, currently administered under P.L. 480, Title II, to be more responsive to the food needs of developing countries. Since Title II emergency assistance is often hampered by political consideration and motivations other than humanitarian concern, this assistance

should be separated from the current P.L. 480 program. To this end, we strongly recommend this Committee to consider:

1) Reconstituting Title II emergency assistance in a bill other than P.L 480 to emphasize its nonpolitical nature. As mentioned earlier, P.L. 480 is often motivated by concerns which conflict with humanitarian response. Placing U.S. emergency food assistance in a separate bill would give credence to its stated nonpolitical aims and strengthen control over its use and implementation.

2) Raising Title II emergency assistance to $900 million, the approximate amount allocated in FY 85. For the last two years, Congress has had to pass supplementals to provide adequate funding for emegency assistance. This process has been held hostage to other political agendas. As a result, people in need die. To be effective, food aid must arrive before people leave their communities and establish themselves in relief camps. Delaying the process only magnifies the crisis.

3) Establishing an independent planning and coordination committee to review the food gaps in developing countries. A process needs to be established to deliver food aid when the need is first recognized, not after the crisis has peaked. An independent committee could monitor food needs in developing countries and allocate resources based on projected needs.

4) Positioning grains overseas in substantial amounts for easy access in times of crisis. This again is a step which will ensure a timely response to a food crisis.

5) Providing adequate recovery assistance. Relief assistance is most effective when its in part of a recovery plan. Relief aid unaccompanied by seeds, tools, and draft animals can act as a disincentive for people to leave feeding camps and return to their homes.

Conclusion

The appropriateness of food aid as a development tool is still uncertain. The crisis in Africa will not be solved this year. What is needed is a strong commitment

to helping African countries and their leaders implement their own plans for food self-sufficiency. Food aid alone will not accomplish this.

From our experience, the most effective use of food aid is as a short-term measure in an emergency. In these situations, food is both needed and appropriate. But beyond these emergencies, food aid needs to be combined with recovery asssistance if it is to play a role in gaining food self-sufficiency.

Thank you for this opportunity to present testimony.

TABLE I

Sub-Saharan Africa, P.L. 480 Food Assistance (FY 84) and FAO Projected Food Deficits (FY84/85)
(in metric tons)

Country	Title I & III	Title II Reg.	Title II Emergency	Total[1]	FAO Deficit[2]
Angola	0	835	9,175	10,010	12,000
Benin	0	5,393	1,654	7,047	--
Botswana	0	11,449	5,000	16,449	24,000
Burkina Faso	0	23,749	23,277	47,026	154,000
Burundi	0	7,571	9,550	17,121	50,000
Cape Verde	0	17,791	2,000	19,791	57,000
Chad	0	0	12,500	12,500	73,000
Djibouti	0	2,910	34	2,944	--
Ethiopia	0	11,863	19,625	41,488	477,000
Gambia	0	3,116	8,150	11,266	--
Ghana	0	17,331	33,638	50,969	--
Guinea	18,000	250	0	18,250	--
Guinea Bissau	0	1,983	9,000	10,983	--
Kenya	35,000	17,921	31,500	84,421	79,000
Lesotho	0	22,761	13,255	36,016	0
Madagascar	24,000	3,089	11,255	38,344	--
Mali	0	18,600	24,860	43,460	139,000
Mauritania	0	33,273	17,500	50,773	128,000
Mozambique	0	0	59,078	59,078	157,000
Niger	0	2,004	0	2,004	422,000
Rwanda	0	10,716	4,466	15,182	43,000
Senegal	0	19,957	61,551	81,508	92,000
Somalia	52,000	7,845	50,661	110,506	42,000
Sudan	309,000	4,743	0	313,743	141,000
Tanzania	0	4,671	4,743	9,414	136,000
Zaire	91,000	0	5,000	96,000	0
Zimbabwe	0	0	42,619	42,619	--

Notes: [1]U.S. Agency for International Development, "Food Shortages in Africa," October 12, 1984.

[2]U.S. Agency for International Development, "Draft Report, FY-1985 Food Production/Deficit Information for Africa," January 2, 1985.